French corruption

Steps to counter the backlash against business

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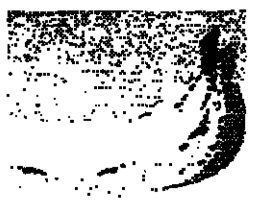

Banana split

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY OCTOBER 31 1994

Bosnian Serbs declare state of war after reverse

Bosnian Serb leader Radovan Karadzic declared a full-scale state of war after Serb forces suffered their greatest setback since fighting began in Bosnia. Bosnian government forces continued their offensive in the north-west of the country, raising fears of a Bosnian Serb counter-attack against Bihac, the Moslem enclave which is one of six UN safe areas in Bosnia. "If the pocket is attacked, the UN will have no choice but to request Nato air support," a UN spokesman said. Page 2

US midterm election outlook: A few closely-watched races in the US midterm elections may be turning in favour of the Democrats, but the trend may not be enough to stop big Republican gains, including control of the Senate. Page 16; Ballot initiatives stir up voters. Page 5

Deutsche Telekom: Germany is set to announce which banks are to play leading roles in the privatisation of Deutsche Telekom, with Goldman Sachs, US investment bank, the most likely candidate to handle the international placing. Page 17

US rail bid battle intensifies: Union Pacific, US railway company, raised its bid for Santa Fe Pacific to $20 a share or about $3.8bn. It said its revised bid was more than 16 per cent higher than Burlington Northern Inc's latest offer, valued at $17.13 a share or $3.2bn.

Frelimo heads for Mozambique poll win:

Mozambique last night seemed within reach of a lasting peace when the country's former rebel leader, Afonso Dhlakama, the head of Renamo, indicated he would accept the outcome of the country's first multi-party elections. Early results suggested a comfortable victory for the ruling Frelimo party led by President Joaquim Chissano (above). Page 4

White House shooting: The Clinton administration seized on Saturday's White House shooting to underscore its arguments that President Bill Clinton was right to have pushed for bans on semi-automatic assault weapons. Page 5

Union Bank of Switzerland: is again urging its 22,000 Swiss employees to vote their shares in support of the directors in their proxy fight with Zurich broker-fund manager Martin Ebner over the bank's strategy. Page 17

Search for OECD chief in disarray: The search for a new secretary-general of the Organisation of Economic Co-operation and Development is again in disarray, with several new options being discussed by the 25 member countries of the Paris-based research body. Page 5

Airlines attack departure tax: The International Air Transport Association said the introduction from tomorrow of an airport departure tax in Britain was an example of government taxation policies undermining the recovery of the airline industry. Page 7

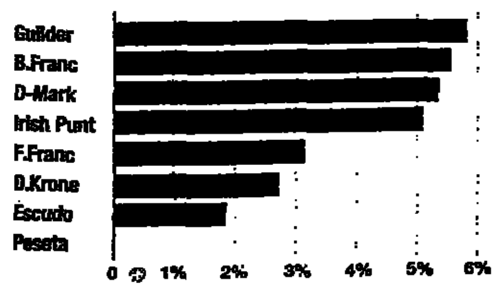
Major supports cabinet colleague: UK prime minister John Major offered strong backing for Treasury chief secretary Jonathan Aitken as the government prepared for a confrontation in parliament over allegations of ministerial sleaze. Page 7

China shows confidence abroad: China's leaders begin a series of foreign missions this week in a virtually unprecedented show of diplomatic zeal that underscores China's growing self-confidence internationally. Page 4

Trade mark changes: British businesses will be able to register three-dimensional shapes, sounds and smells as trademarks for the first time today as new trade mark legislation comes into force. Page 7

European Monetary System: There was no change in the order of currencies in the EMS grid last week, nor in their relative strengths, as the Bundesbank council held its interest rate policy steady. The Bank of Portugal trimmed two money market rates, with the regular rate for draining funds falling to 8.5 per cent from 8.75 per cent. Currencies, Page 27

EMS: Grid — October 28, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Lawsuits grow over sackings: Companies with US operations are being hit by a spate of employment discrimination lawsuits in the wake of widespread corporate "downsizing". Page 5

Pope names 30 cardinals: Pope John Paul II nominated 30 new cardinals, broadening the international base from which a future pontiff will be chosen. Page 2

Mark Thatcher deal supported by Tory backers

By William Lewis in London

Mr Mark Thatcher, the son of former prime minister Baroness Thatcher, secured backing for one of his biggest US investment deals from some of his mother's closest business supporters.

Hanson, the UK-quoted conglomerate, and Mr Li Ka-Shing, the Hong Kong billionaire – both of whom have been substantial donors to the Conservative party – invested in a US business consortium put together by Mr Thatcher and his then partner, Mr Bruce Leadbetter.

Hanson said it has lost $130,000 on its investment of $400,000 made in the late 1980s. Mr Martin Taylor, a vice-chairman of Hanson, said last week: "We knew that Mark Thatcher was involved when we agreed to make the investment. It was the only time we invested with him."

Mr Thatcher denied that he had exploited his mother's connections. He said: "If the whole thing was funded by the Who's Who contributors to the party, then that would have been a different game. But for them to subscribe to two-fifteenths of the investment, I do not regard that as significant."

Other investors in Emergency Networks, a Dallas-based home security company in which Mr Thatcher and his partners invested, included Mr Bruce Babbit, currently US interior secretary, and Mr Jay Pritzker, one of the owners of the Hyatt Hotel chain.

Meanwhile, in the first detailed interview on his affairs for several years, Mr Thatcher poured cold water on wide-

The Mark Thatcher Affair ....Page 6

spread reports that he is worth tens of millions of pounds. "It would be significantly wrong to conclude that I am worth more than £5m," he said. "There is just nothing to support it apart from innuendo."

Conservative party officials have pointed to his US interests as the main source of Mr Thatcher's wealth. They were rebutting allegations that he exploited his position as the only son of the then British prime minister to earn commissions from defence sales.

A Financial Times analysis of his US business interests, based on company filings and court documents, has found little evidence of significant earnings from his US activities. On the other hand, these activites have been coloured by two corporate collapses, litigation and boardroom rows.

In the interview, Mr Thatcher reiterated his denial that he received a commission from the $20bn Al-Yamamah defence contract signed in 1985 between the UK and Saudi Arabian governments.

He confirmed that he is a friend of Mr Wafic Said, the millionaire businessman who acted as a go-between on the UK side of the Al-Yamamah talks in the mid-1980s. However, Mr Thatcher said: "Merely because I know this man does not mean to say that he is going to pay me £12m because I am a nice guy."

He said his latest foreign venture was in Azerbaijan, the former Soviet republic. Mr Thatcher said: "This whole idea that I have had tremendous success is just a myth.

"If I had tremendous success I would not be running around trying to do the things that I am doing. I would be sitting on my own private island in the South Pacific, but I am not."

UK commissioner considers resigning after loss of eastern Europe portfolio

Brittan urged to stay in EU post

Incoming European Commission president Jacques Santer (centre) is surrounded at the Sennigen Castle, Luxembourg, by the commissioners to whom he has given portfolios Reuter

By Lionel Barber in Luxembourg and Philip Stephens in London

Mr John Major, the British prime minister, made a direct appeal at the weekend to Sir Leon Brittan to stay on as the senior UK commissioner in Brussels after Sir Leon narrowly lost a battle to retain responsibility for eastern Europe in his portfolio.

Sir Leon will decide in the next few days whether to resign his post, close associates said yesterday. He is said to be crestfallen, and is considering all options, including a return to British politics. His aim would be to press the case for a more pro-European policy in Britain, associates said.

But pressure is mounting on Sir Leon to stay in his job, which still includes responsibility for multilateral trade negotiations and relations with the leading

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■ Santer's choice packs a political punch

■ Brittan falls victim to his own cleverness and power

Page 15

■ Editorial Comment

Asian economies and the world's industrialised nations.

Amid obvious irritation at 10 Downing Street and private acknowledgement that the British government's influence in Brussels had been diminished, Mr Major told Sir Leon that he was "disappointed" by the share-out of portfolios made by Mr Jacques Santer, the incoming Commission president. Mr Major added in a telephone conversation with Sir Leon that his responsibility for trade relations with the developed world, including Japan and the US, was "crucially important".

The conversation came as British ministers echoed the implicit annoyance at Mr Santer's decision. The early admission of former communist countries to the Union is a central plank of Mr Major's overall strategy towards the development of the EU.

Tory Euro-sceptics warned that the choice of Mr Hans Van den Broek of the Netherlands to oversee enlargement to the East heightened the risk of a confrontation between London and Brussels at the 1996 intergovernmental conference. One, Mr James Cran, described Mr Santer's decision as a "slap in the face" for those in the UK who wanted a wider rather than a deeper EU.

There was also a suspicion among Tory MPs that Mr Santer, whose candidacy for the presidency was supported by Britain after Mr Major had vetoed the choice of Mr Jean-Luc Dehaene, the Belgian prime minister, had been under pressure to prove his "independence" from London.

But Mrs Pauline Green, leader of the Socialist group in the European Parliament, accused Sir Leon of "behaving like a spoilt child" after he hinted he might resign. "Sir Leon Brittan is clearly motivated by personal greed and ambition. He is not prepared to be a team player," she said.

Arguments over the division of external relations responsibilities in the new European Commission

Continued on Page 16

Volvo to expand truck operations

By Kevin Done in London

Volvo, the Swedish car and commercial vehicle maker, is embarking on a far-reaching expansion of its truck operations in Europe and Asia.

The ambitious moves, which include the development of a range of trucks to allow it to enter the European light truck market for the first time, result from a fundamental review of global strategy started after the collapse of the group's planned merger with Renault nearly a year ago.

Volvo, the world's second-largest heavy truckmaker (above 15 tonnes gross vehicle weight), behind Mercedes-Benz of Germany, is focusing corporate development on its automotive operations with the divestment of most other activities.

As a key part of this strategy, it plans to:

- **Expand the capacity of its heavy truck operations in Europe by up to 20 per cent by mid-1996, with the investment of more than SKr1bn ($140m).**
- **Develop a range of light trucks (7.5 tonnes gross vehicle weight) to allow it to challenge established rivals such as Mercedes-Benz, Iveco, MAN, Renault and Daf in this segment of the European market.**
- **Establish a joint venture in China with the aim of adding a production centre in Asia to**

Continued on Page 16

Closure of West Bank and Gaza to be eased by Israel

By Mark Nicholson, Julian Ozanne and Francis Ghilès in Casablanca

Israel has agreed to begin lifting the closure of the Gaza Strip and West Bank from tomorrow, easing the plight of more than 60,000 Palestinians denied access to their Israeli workplaces.

Yesterday's move came as senior Israeli, Palestinian and European Union officials started the Middle East and North Africa economic summit in Casablanca with an urgent review of the economic crisis threatening the Palestinian peace process.

The move was the first practical step taken at the three-day conference opened last night by King Hassan of Morocco. The gathering of 10 heads of government, 450 government officials and 1,100 business leaders from 60 countries is aimed at evolving new regional, financial and economic institutions after Israel's recent peace agreements with the Palestinians and Jordan, while encouraging private-sector investment in cross-border and regional development projects.

Mr Shimon Peres, Israel's foreign minister, said a gradual easing of the Gaza and West Bank closure, enforced after the recent Hamas bombing of a civilian bus in Tel Aviv, was agreed after talks between Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, and Mr Yitzhak Rabin, Israel's prime minister.

From tomorrow, women, Palestinian men over 30 and those visiting hospitals would be permitted to cross into Israel.

In later talks between Mr Jacques Delors, the European Commission president, Mr Arafat and Mr Abraham Shohat, Israel's finance minister, the EU agreed to examine the holding up of European funds for Gaza and the West Bank.

The EU has so far disbursed only $20m of $120m pledged to the Palestinian Authority.

The conference will close tomorrow with preparations for new regional institutions and steps towards the creation of a $10bn regional development bank.

This would mark the start of what Crown Prince Hassan, head of the Jordanian delegation, described as a "Middle East common market from the Atlantic to the Gulf" with a collective GNP of £580bn.

Mr Warren Christopher, US secretary of state, said Washington would call for the adoption of principles leading to the "free movement of goods, capital, ideas and labour" across the borders of North Africa and the Middle East, establishment of the development bank, creation of a regional tourism authority and a regional business council.

Moroccan privatisation, Page 4
White House and Casablanca, Page 15

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira30	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux.	LFr65			UAE	Dh12.00

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FT writers examine the line-up at the European Commission after the struggle to divide up portfolios

Sir Leon felled in assault on his cleverness and power

By Lionel Barber in Luxembourg

Shortly after Mr Jacques Santer was appointed president of the European Commission, a senior Brussels diplomat delivered a friendly warning to Sir Leon Brittan. "Of all the Commissioners, you have the most to lose under Mr Santer."

Sir Leon was taken aback. One of the stars of the outgoing Delors Commission, he found it hard to believe that Mr Santer would not wish to make the most of his talents.

The diplomat agreed, but pointed out that Sir Leon risked being seen as too clever – and too powerful – for his own good in the incoming Santer Commission.

On Saturday afternoon, the warning came true. Sir Leon, chief EU trade negotiator, found himself stripped of the plum portfolio of central and eastern Europe, and pondering resignation. It is a stunning turnaround for a politician who was acclaimed a year ago as one of the architects of the Gatt *Uruguay Round agreement* and who had contemplated a bid to become Commission president.

Sir Leon's fall from grace may be viewed as an inevitable come-uppance for someone who has never been a team player in Brussels. His caustic comments, razor-sharp intellect, and appetite for work have prompted jealousy as much as admiration among colleagues (with the exception of Mr Jacques Delors with whom he has much in common).

Sir Leon also misplayed his cards during negotiations over his new portfolio with Mr Santer. Colleagues such as Mr Manuel Marin, the senior Spanish commissioner, and Mr Padraig Flynn, Irish Commissioner, curried favour by offering to surrender portions of their fiefdoms; but Sir Leon offered too little, too late. He also underestimated the Santer team's determination to end the division between economic and political affairs in the new Commission.

Thus, Sir Leon's opening offer was to give up the Northern Mediterranean, Turkey, Cyprus, Malta, and economic relations with former Yugoslavia; then he upped it to all of Asia, excluding Japan. On Saturday afternoon, he proposed giving up everything, including the powerful trade instruments, if he could keep relations with central Europe and the former Soviet Union.

Colleagues concede the gesture made little sense because it undermined Sir Leon's chief argument: that the eastern European dossier largely turned on economics and trade rather than politics and security, the speciality of Mr Hans Van den Broek, the Dutch commissioner who eventually won the day.

Yet Sir Leon was also the victim of events beyond his control. The decision to reward Mr Van den Broek was driven by the need to compensate the Netherlands after France and Germany snubbed Mr Ruud Lubbers, the outgoing Dutch prime minister, in his bid to succeed Mr Delors as Commission president.

Neither German commissioner supported Sir Leon on Saturday afternoon – a surprise since the Bonn government continues to admire his contribution to integrating central and eastern Europe into the EU. Was it just an accident that Mr Wim Kok, Dutch prime minister, had paid a visit to Chancellor Helmut Kohl just days before the Luxembourg meeting?

Sir Leon also appears to have suffered from lingering resentment over the British veto of Mr Jean-Luc Dehaene, the Belgian prime minister who was the Franco-German candidate to succeed Mr Delors, at last June's European *summit* in Corfu.

The veto won Mr John Major, British prime minister, a reprieve within his ruling Conservative party. It also propelled a reluctant Mr Santer into the top Commission post.

However, it left Mr Major little leverage when it came to pleading Sir Leon's case with European allies – and Mr Santer. "Corfu was not without cost," said a colleague of Sir Leon.

Santer's choice packs a political punch

Future president's priority was a Commission that worked as a team, writes Lionel Barber

Nobody said it was going to be easy. But after a day of tough talking inside Senningen Castle in the Grand Duchy of Luxembourg, Mr Jacques Santer emerged with a deal on the division of portfolios in the new expanded Commission.

The agreement boosted the authority of Mr Santer, a last-minute compromise candidate earlier this year to succeed Mr Jacques Delors as president of the Commission; but the cost could prove high if a disgruntled Sir Leon Brittan carries out his threat to resign after being stripped of his most prized portfolio, eastern Europe.

The question is whether Mr Santer – known as the man who never says No in his native Luxembourg – pursued an early deal at the expense of downgrading one of the few effective performers in the outgoing Delors Commission.

Supporters of Sir Leon leave no doubt that their commissioner was treated poorly, with little regard to his track record in championing closer relations with central and eastern Europe, perhaps the most important task for the EU over the next five years.

"On a conservative estimate, Sir Leon's workload drops 30 per cent," says one supporter. "It could be as high as 60 per cent."

Those more sympathetic to Mr Santer argue that the president-designate tried everything to broker a deal between Sir Leon and Mr Hans van den Broek, the Dutch commissioner who is the big winner in *Saturday's share-out* of responsibilities in external relations.

"We went through all sorts of different options," said a senior Santer aide, "but the eastern European dossier turned into a beauty contest."

Under the deal, Mr Van den Broek gains control of economic and political relations with central and eastern Europe, as well as retaining responsibility for the common foreign and security policy, subject to the authority of President Santer.

Sir Leon retains control of his multilateral trade dossier, which includes the setting-up of the new World Trade Organisation, as well as relations with North America, Australia, New Zealand, Japan, China, South Korea, Macao and Taiwan.

Mr Santer made clear on Saturday evening that his overriding concern was to ensure that the new Commission works as a team when it moves into office next January, pending a vote of approval from the European parliament.

He also sought to assert his authority by selecting three areas in which he intends to be *primus inter pares*: common security and foreign policy; preparations for monetary union; and institutional issues ahead of the 1996 inter-governmental conference to review the Maastricht treaty.

Mr Santer said the need to end personal fiefdoms was even more urgent now that the Commission was expanded from the present 17 commissioners to 21, assuming that Sweden and Norway join Austria and Finland in approving EU membership in next month's referendums.

Most Brussels insiders agree that Mr Santer – egged on by his influential chief of staff Mr Jim Cloos – was right to end the artificial division between political and economic affairs inside the Commission's external relations apparatus, and to adopt a division on geographical lines.

The divisions led to constant sniping between supporters of Mr Van den Broek and Sir Leon in Brussels. Abroad, it led to two commissioners landing in successive weeks in eastern European capitals to talk policy.

Yet the row over Sir Leon's treatment risks obscuring a broader judgment about the new Commission, its organisation and its likely future direction. As Mr Santer noted on Saturday, even the harshest Euro-sceptics cannot accuse the new Commission of being packed with bureaucrats. It is highly political: a former prime minister (Mrs Edith Cresson of France) sits alongside a man who almost became prime minister (Mr Neil Kinnock, the former UK Labour party leader). There are also five women, up from one in the outgoing Delors Commission.

None of the women is a shrinking violet. Ms Ritt Bjerregaard, who wins environment and nuclear safety in eastern Europe, enjoys a formidable reputation in her native Denmark; so too, Ms Anti Gradin, the Swedish diplomat, and Ms Monika Wulf-Mathies, the German trade union leader. Watch out for Ms Emma Bonino, the Italian abortion rights activist who will handle the hitherto neglected consumer affairs dossier.

A second *leitmotif* is Mr Santer's calculated effort to win Yes votes in the referendums in Scandinavia. Norway is rewarded with the fisheries portfolio, a vital national interest. Sweden wins the increasingly important judicial and immigration portfolio.

Mr Santer has also shown sensitivity to France which was worried about losing influence with the departure of Mr Delors. Mr Yves-Thibault de Silguy, a technocrat, takes over the plum job of economic and monetary affairs, putting him at the centre of the plan to create a single currency by the end of the century.

Mr Mario Monti, the distinguished Italian economist, will take charge of the single market, including fiscal policy and capital movements; while Mr Kinnock, who has never held a ministerial post, is delighted with the transport portfolio which includes the planned multi-billion Ecu rail and road trans-European networks.

At first sight, the choice of Mr Franz Fischler of Austria to take over the agriculture dossier is surprising. Few could have expected a new member state to take charge of agriculture which accounts for more than half of the Ecu70bn (£55bn) budget.

But no-one showed much interest in taking on a job which is bound to involve further unpopular reforms in the next five years, partly to prepare for the entry of the central European countries at the turn of the century. So Mr Santer handed the job to Mr Fischler, an old political ally.

Despite the call for collegiality, it is possible to predict friction in some areas. Mr Padraig Flynn, the wily Irishman who runs social policy, is uneasy about Mrs Cresson running training and education.

Nor were some commissioners delighted that the 10 socialist and social democrat commissioners met ahead of the Saturday session in Luxembourg.

Yet the real test will be how Sir Leon intends to work with Mr Van den Broek, should he decide to stay on. Those who know him predict that Sir Leon would find it impossible to resist carving out a role in central and eastern Europe, using his commercial trade instruments.

In that case, Mr Santer, who left most of the dirty work to Mr Cloos during the portfolio negotiations, would have his authority tested to the full.

Efforts to curb sleaze have a hollow ring

Corruption measures still leave loopholes, argues Emma Tucker

With the British House of Commons facing almost daily allegations of parliamentary dishonesty, and corruption stories emerging steadily from France and Italy, Europe's commission and parliament are addressing how best to avoid such accusations themselves.

The parliament is not in a promising position. Recent reports have tainted it with an image of generous and inefficiently-administered expenses, corporate goodies dished out by zealous lobbyists, and thinly-justified overseas trips taken at the taxpayers' expense.

Mr Klaus Haensch, the parliament's president, says it needs to put itself in an "irreproachable" position, and this week announced measures to slash expenses.

"The situation has become untenable for cost reasons and for the image of the parliament abroad," he said, outlining proposals to cut the number of meetings parliamentary committees can hold outside either Strasbourg or Brussels to one every four years from one every year.

He has also proposed that the size of delegations visiting non-EU countries be halved. The two measures, he says, will save Ecu5.5m (£4.32m).

But even if the parliament *smartens* up its image on expenses, socialist MEPs are arguing that arrangements for declaring interests are not sufficiently stringent.

There is a mandatory register of financial interests, but it is not published as a parliamentary document and is therefore not widely circulated. Any European who wants to check his or her MP's interests has to travel to Strasbourg or to Brussels to transcribe information by hand. Photocopies are not permitted.

Secondly, the Socialist group *argues that not enough detail* is entered in the register. An MEP has to declare for whom he or she is working, but not what the work is.

Further, according to Mr Glyn Ford, Socialist spokesman on parliament rules, only direct financial interest has to be declared. Friendly associations with foreign countries, which result in all-expenses paid holidays, for example, are not recorded.

"I would like to know these things when evaluating members' speeches," says Mr Ford. "If someone is giving his opinion on what is going on in East Timor, then an all expenses paid trip to Indonesia is relevant."

Meanwhile, the parliament is discussing how best to ensure that Europe's 21 new commissioners, due to take office early next year, do not harbour political or financial conflicts of interest.

Commissioners have always had to take oaths ahead of their period in office, declaring their full independence and promising not to seek earnings from any other source. This led to certain commissioners relinquishing obvious interests. For example, Mr Abel Matutes, the former Spanish commissioner, handed over control of his hotel group to his brother before going to Brussels.

This time, the parliament is determined to use the extra powers granted to it under the Maastricht treaty, to vet thoroughly the incoming commissioners. As a result, the appointees will be asked to answer questions in public and on the record for the first time.

Parliament points out in a set of recommendations adopted by its committee on institutional affairs that this process will be the "only democratic element" in chhosing the new commissioners, who are appointed by the governments of the member states.

The vetting is likely to involve a severe grilling by the appropriate parliamentary committees. "It will not mean US-style teams of private investigators," says Mr Julian Priestly, secretary general of the Socialist group. But fairly elaborate and even aggressive tactics are envisaged.

The committee on institutional affairs' recommendations says that particular importance will be attached to "guarantees of independence", including the need to ensure that the prospective commissioners are "genuinely independent from the national governments that nominated them and also, that there are no potential financial conflicts of interest".

One recommendation states: "It is highly desirable that a few key political questions – i.e. on two speed Europe, opt-outs, enlargement to eastern Europe etc – be posed to all *the candidates in order to* assess their views on the European integration process."

As far as financial interests are concerned, the committee recommends that the parliament should draw up a short and unbureaucratic list of questions to be submitted to all the candidates.

As an illustration, it highlights the type of questions raised in the US for completion by presidential nominees. These include such detailed points as financial transactions, investments, obligations liabilities, and any business or other relationships.

In spite of the rigorous approach the parliament intends to adopt, the process rings slightly hollow. Its extra *powers do not* extend to the right to veto individual commissioners. All the parliament can do is mention its misgivings to Mr Santer. Otherwise, it can veto the entire commission, but this would be an unlikely step.

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Pope widens electoral base for choice of his successor

By Robert Graham in Rome

Pope John Paul II yesterday nominated 30 new cardinals, further broadening the international base from which a future pontiff will be chosen.

The most politically innovative of the choices are the appointments of cardinals serving in Albania, the Bosnian capital Sarajevo, Cuba, and Belarus, as well as the Lebanese patriarch, Nasrallah Pierre Sfeir.

The move to increase the number of cardinals – the highest ranking members of the Catholic hierarchy with the sole right to elect a new pope – had been foreshadowed. However, the decision was made earlier than expected and comes against a background of the 74-year-old pontiff's declining health.

Vatican watchers said the *Pope had tended to chose* persons generally sympathetic to his conservative ethical views. Within this, he had considerably broadened the geographical spread, especially to former communist eastern Europe, Latin America, Asia and Africa. Nevertheless, four new appointees were Italian and the Europeans still dominate the *cardinals' conclave*. Britain gained a cardinal with the nomination of Mons Thomas Winning, Archbishop of Glasgow.

The cardinals will be formally proclaimed at a special consistory in Rome on November 26. The precise number of new cardinals shows that Pope John Paul II is anxious to respect the *informal* limit of 120 electors under the age of 80 set by his predecessors.

At the time of the consistory 96 cardinals will be below the age of 80, while six of the new cardinals will be over that.

In the event of a new conclave 100 of the 120 cardinals would have been chosen by Pope John Paul II. Of the *total, 55 would be from east* and west Europe (20 of whom are Italian), 33 from the Americas, 15 from Africa, 14 from Asia and three from Oceania.

Bosnian Serbs bent on revenge

By Laura Silber in Belgrade

Bosnian Serb leader Radovan Karadzic declared a full-scale state of war at the weekend after Serb forces suffered their greatest setback since fighting began in Bosnia.

Bosnian government forces yesterday continued their offensive in the north-west of the country, raising fears of a Bosnian Serb counter-attack against Bihac, the Moslem enclave which is one of six UN safe areas in Bosnia. "If the pocket is attacked, the UN will have no choice but to request Nato air support," said Mr Colin Murphy, UN spokesman *in Sarajevo*.

In a sign of possible plans for a counter-attack, Mr Karadzic also ordered a general mobilisation in his self-styled Serb state. Over the past week, Bosnian Serb forces have lost some 200 sq km in the north-west.

The Bosnian Serbs are in an increasingly isolated position after being cut off three months ago by their patron, President Slobodan Milosevic of Serbia. There is even speculation that Mr Karadzic has engineered the stunning losses in a bid to force Mr Milosevic to abandon his blockade against the Bosnian Serbs.

However, Belgrade's state media has imposed a total news black-out on the losses.

Renewed fighting erupted yesterday after the mostly Moslem government forces encircled Bosanska *Krupa*, a Serb-held town on the River Una in the north-west. In an unconfirmed report, Sarajevo radio said government forces had entered the town.

Serb forces from Bosnia and Croatia have surrounded the dense north-western Moslem pocket for most of the 31-month war. Last week, however, the Bosnian Fifth Corps drove Serb forces from the Grabez plateau, strategic high ground above Bihac town. Up *to 10,000* civilians have fled the area and Serb soldiers have abandoned tanks and other hardware to their foes.

In Sarajevo, Mr Murphy said the UN was considering close air support against government forces in the demilitarised zone round the Bosnian capital who have been launching attacks on Serb-held territory. General Rose, British leader of the UN forces in Bosnia, issued a similar threat earlier this month, but it is likely the US would protest against it being carried out.

Also yesterday, the Bosnian Serbs released four British UN soldiers who they had detained last week in the Kupres region of central Bosnia on suspicion of spying.

● Russia would withdraw its peacekeeping troops from former Yugoslavia if Nato gained ultimate control over whether to use force, Mr Andrei Kozyrev, foreign minister, said yesterday. On Friday Nato approved a deal with the UN on plans for joint bombing operations in Bosnia. Though Nato officials stressed there would be no change in the basic "dual key" command structure under which Nato supports UN decisions, Mr Kozyrev said that if it were abolished, "I would have to turn to the upper house of parliament and ask to have our peacekeeping troops removed".

Resentment surfaces in Russia's Arctic sea of oil sludge

John Thornhill finds people are beginning to raise their voices in a region used to suffering pollution in silence

The remote Russian Arctic town of Usinsk is blinking in bewilderment in the glare of international publicity. US claims that a recent oil spill nearby was several times larger than the world's previous worst disaster in Alaska in 1989 have provoked outrage from the local authorities, hostility from the local oil company, and a mood of bemusement among the local population.

Some residents just do not understand the fuss, given that similar spills have happened before without stirring much controversy.

Mr Philip Gursky, a ruddy-faced pensioner, who lives in a rough-hewn wooden cottage by the Kolva river, says he has seen many oil leaks, blow-outs and burning slicks in the 40 years he has lived in the region. He shrugs his shoulders at the latest incident after which scores of workers removed oil from the river outside his front door. "I am used to it," he says.

Sadly, Russia is accustomed to such accidents, although it remains unaccustomed to the controversy they now arouse.

A local environmental group claims that internal documents obtained from Komineft, the oil company responsible for the faulty pipeline, reveal there were more than 1,900 leaks between 1986 and 1991, with an alarming acceleration towards the end of that period.

Workers use a high-pressure hose to clean crude oil from the banks of a tributary of the Kolva river Reuter

Environmentalists estimate Russia may lose 1-3 per cent of its oil output each year through leaks in its 45,000 miles of pipelines. In an industrial culture that stresses production over the environment, managers prefer to pump oil rather than repair damaged infrastructure and shut and re-start wells.

Mr Vyacheslav Bibikov, vice-president of Komi Republic – reputedly one of Russia's more reactionary regions, gives the official response. "The situation is localised and controlled and we consider that excessive attention has been given to this accident. Nothing terrible has happened here," he says.

Mr Nikolai Ponomaryev, deputy general director of Komineft, reacted even more fiercely when questioned by western journalists and environmental campaigners. In a flash-back to Soviet-style attitudes, the glowering Mr Ponomaryev refused to discuss the company's pipeline capacity on the grounds of "commercial secrecy" and suggested foreigners who had failed to win business in the area were exaggerating the affair.

Perhaps no-one will ever know how much oil has been spilled near Usinsk. Local government officials and Komineft directors ridicule US Energy Department claims that 270,000 tonnes of oil has leaked. But even accepting the minimum official figure of 14,000 tonnes – which western oilmen in the region find hard to believe – the spillage still represents an appalling environmental blight.

Mr Anatoly Nyukin, head of Komi Republic's civil defence, says he has not seen one dead bird or fish as a result of the accident. But local residents point out that pollution killed much of the local wildlife long ago.

Mrs Chesleva Popova, mayor of the 170-year old Kolva village, says: "There was a very big resource of fish here 10 years ago. But now there are practically no fish left." She says those fish they do catch are used to make a traditional local dish. "But often the fish smell strongly of oil and it is not pleasant to eat," she says.

More than 200 people have been working intensively to clear up the damage. Using vacuum pumps and bulldozers, they have cleaned up most of the black sludge that oozed into the Kolva and Usa rivers, where 7km-9km of river bank were heavily polluted.

But removing the estimated 11,000 tonnes of oil which remain in the flooded marshlands will be slow and laborious. So far the clean-up has been eased by the relatively mild weather. But temperatures can drop to minus 50 degrees in winter and the oil must be removed before the spring thaws threaten to spread a fresh ecological disaster.

The 60,000 who live in and around Usinsk are hardly strangers to such hardships. The grim and grimy town, which clings to the edge of the Arctic circle, was built in a region infamous as one of the most terrible islands in Stalin's Gulag archipelago. Many "criminals" from the nearby Vorkuta camp settled in the area after their release. There is an acceptance of hardship and a reluctance to moan found rarely in Russia's bigger cities.

Usinsk itself was built 20 years ago by Komineft to support oil exploration. Like most Soviet industrial enterprises, the company created its own mini-welfare state, building eight schools, a kindergarten and a hospital. Some residents fear Komineft will run these down now it is a privatised company with profits in mind. Unemployment is already rising alarmingly as the company sheds workers.

The arrival of western companies is beginning to change the town. Conoco, the US oil group, has set up the Polar Lights joint venture with Archangelskgeologia, a Russian exploration company, bringing much-needed jobs to the region. Komi Arctic Oil, a joint venture between Komineft, Gulf Canada, and British Gas has also developed a field north of Usinsk and set up smart offices in town.

That seepage of capitalism is already visibly transforming Usinsk. Snickers chocolate bars are on sale in street kiosks; posters of scantily clad women straddling motor-bikes are displayed in the small shopping centre; BMW cars cruise the streets disgorging the local hard men clad in leather jackets, gold chains and shell suits.

The after-effects of the spillage may speed further social change. Komineft's managers, alarmed at the publicity and fast-falling share price, must appreciate they are now accountable to a far broader constituency than party bosses or central planners. Local government officials know they now live in a transparent world and have responsibilities for a precious environment which Green groups claim is of international significance.

And the townspeople of Usinsk are slowly understanding that as shareholders in the privatised Komineft they are also part-owners who can influence the company's and region's development.

There are tentative signs that after years of silence local people are beginning to raise their voice. "I do not want to say that people were afraid by what has happened but they think about the future and want to make sure this is not repeated," says Mrs Popova. One shop assistant raises a common plea: "Usinsk is my town. It is my home. I do not want anyone to spoil it any more."

INTERNATIONAL PRESS REVIEW

Moscow tries to see the news in the oil leak

RUSSIA

By John Lloyd

In the daily *Rabochaya Tribuna* of last Wednesday, an item appeared in the front page brief news section, "In one paragraph". The headline read: "Ecological catastrophe in northern Russia – and it seems it worries the Americans more than us".

The story, citing the Voice of America radio station, said: "American officials say that, in a region of the Arctic round the town of Usinsk, a pipeline has ruptured, causing the largest oil spill in history. American representatives in Washington, quoting information coming from Russia, say that 2m barrels of oil has been spilled. The US deputy energy secretary says that the spill is an ecological catastrophe."

This says a great deal about coverage of the Usinsk oil spill, about the attitude of the press – and of official and civil society – to the incident, and about the state of ecological awareness in Russia.

It also says much about the majority Russian view of the world as one eco-system. For, with few exceptions, the Russian press covered the incident *if at all* through the industry and government sources cited in last Tuesday's New York Times, which broke the story.

Only two leading newspapers, *Izvestiya* and *Sevodnya*, gave it wide coverage – though limited largely to news written in Moscow, not on-the-spot reports or analysis. By the end of the week, a Russian wire service was quoting the head of the company responsible for the spill as blaming western interests for blowing up the story for commercial gain.

Yet the facts – the spill, the declaration of an emergency situation in the region and vast natural damage – were known to and published in newspapers in the Komi republic weeks before the Times story.

The region's *Krasnoe Znamya* (Red Banner) of September 15 ran a splash headline: "Pipeline of Trouble – Usinsk region has become an area of ecological disaster". The story gave details of streams running with oil and roads covered with lakes of oil. It ended with the observation: "We don't just have a state of emergency here: we have an ecological catastrophe."

The story – which the paper followed up throughout October – did not appear in the central press, nor on all-Russia TV. Not because of censorship - but because it was not seen to have more than local importance.

Western journalists who travelled to the inaccessible region to cover the story last week were met with hostility mixed with genuine bewilderment: Why come all this way to cover as common a thing as an oil leak, and what has it to do with you?

Izvestiya, the best of the central dailies, did best by the story. It ran a splash headline last Wednesday: "Why should Americans be more concerned about an oil spill in the tundra than Russia?" It slammed the Komi oil company for attempting to conceal the whole affair, *saying it* was a "saddening circumstance" that the alarm was raised by the Americans and that a government commission was formed only after US Vice President Al Gore offered assistance.

The daily *Sevodnya* made the story its second front page lead – noting in an editorial comment with the story: "It's understandable and, alas, all too common that information on our ecological disaster should again come from the west."

But by the end of last week an explanation emerged for the western concern: it was driven by the profit motive. Interfax news agency, quoting "experts of Moscow's leading broker and investment companies", said the news had clipped between \$1 and \$2 off the shares of the Komi Oil company. "Komi Oil director General Valentin Leonidov told a shareholders' meeting on Friday that the campaign on the pipeline accident was carried out in the interests of those who want to buy Komi Oil for a song," it said.

Longuet case to be investigated

The French justice ministry has given the go-ahead to two formal investigations in a corruption case which forced the resignation of Mr Gérard Longuet, then industry minister, earlier this month, writes John Ridding in Paris.

The investigations, which are expected to be launched today, will focus on allegations of illicit financing relating to the construction of Mr Longuet's holiday villa in St Tropez and on the management of companies linked to the former industry minister which are suspected of concealing payments from business groups.

Mr Longuet has denied any wrongdoing. In a statement released on Saturday, following the decision by the justice ministry to authorise the new probes, he described the allegations against him as "baseless." He said the new investigations would allow him to prove his innocence.

The judicial authorities are investigating whether Mr Longuet received payments and preferential financial terms on his villa in return for granting public contracts. The new probes will examine Investel, a holding company created by Mr Longuet in 1989 and Avenir 55, a consultancy firm for which Mr Longuet worked.

China shows growing confidence abroad

By Tony Walker in Beijing

China's leaders begin a series of foreign missions this week in a virtually unprecedented show of diplomatic zeal that underscores China's growing self-confidence internationally.

China's official media yesterday described visits by the country's three most senior leaders to neighbouring countries over the next two weeks as part of a "new diplomatic drive".

Xinhua, the official news agency, said it was "rare" for three top Chinese officials to "go abroad in quick succession". It noted that the visits were "mostly in the Asia-Pacific region".

Premier Li Peng, who ranks number two in the standing committee of the ruling Politburo, begins a five-day visit to South Korea today. He will be the most senior Chinese official to visit Seoul since Beijing established diplomatic ties with South Korea in 1992.

Mr Qiao Shi, chairman of the standing committee of the National People's Congress, China's parliament, leaves later this week on a five-nation tour of New Zealand, Australia, Argentina, Brazil and Fiji. Mr Qiao ranks three in the politburo.

President Jiang Zemin, who also serves as general secretary of the Communist party and chairman of the powerful Military Commission, will visit Singapore, Malaysia, Indonesia and Vietnam between November 6 and 22. He will attend the Asia-Pacific Economic Co-operation forum in Indonesia in mid-November.

Other senior Chinese officials who will be engaged this week in high level diplomatic missions include vice-premier Li Lanqing who will visit Washington to press China's case for admission to the General Agreement on Tariffs and Trade.

Mr Li, who is a former minister of foreign trade, will seek to counter US misigivings about China's progress in meeting requirements for Gatt entry. US trade officials say Beijing is still some distance from satisfying market liberalisation requirements for Gatt accession.

Western officials in Beijing view China's diplomatic blitz as a sign of growing self-confidence in the international arena. "This indicates that things are going their way on the diplomatic front," said one.

The official noted that Beijing appears to have successfully neutralised the worst of the international opprobrium that followed the June 1989 massacre of pro-democracy protesters around Tiananmen Square.

"There are increasing signs that different countries are now prepared to put human rights down the list of priorities when dealing with China," he said.

The visits abroad by China's three top officials are the culmination of perhaps the most active year of diplomatic activity in the history of the People's Republic, beginning with a tour of Central Asia in April by Premier Li Peng. Mr Li went abroad again in mid-year when he visited Austria, Germany and Romania.

President Jiang went to Russia, Ukraine and France in September, and earlier this month Mr Zhu Rongji, the senior vice premier in charge of the economy, was in Madrid for the IMF-World Bank meeting.

Xinhua said Chinese leaders would "try to alleviate fears of the so-called 'China threat'" in their discussions with regional counterparts.

"Chinese leaders are expected to explain China's position on the establishment of a new political and economic order," Xinhua said. "They will reassure their hosts that China has no intention of seeking hegemony."

N KOREA TO RECEIVE JAPAN DELEGATION

North Korea yesterday agreed to an official visit by the three parties of Japan's coalition government, paving the way for the resumption of an official dialogue between the two neighbours, writes William Dawkins in Tokyo.

The accord, announced by Mr Yoshiro Mori, secretary general of Japan's Liberal Democratic Party, is part of the general unfreezing in relations brought about by the recent North Korea-US deal. Under that accord, Pyongyang agreed to accept full international inspections of its nuclear facilities in return for improved US ties and aid to replace its graphite plants - which can produce weapons grade plutonium - with safer light water reactors.

The Japanese delegation, to arrive some time in November, will discuss Japanese participation in the conversion of North Korea's nuclear plants and the possible resumption of talks, broken off two years ago, on opening diplomatic relations.

Of the $4.5bn (£2.77bn) required to instal light water reactors in North Korea, Japan is expected to contribute up to 20 per cent, with 55 per cent from South Korea, and the balance from the five members of the UN Security Council, plus Canada, Australia and Germany.

However, Mr Masayoshi Takemura, Japan's finance minister would like to see clear European backing for the project before going ahead. The North Korean-Japan meeting testifies to the close ties maintained with Pyongyang by the other two members of the coalition, the left-wing Social Democratic Party and the New Harbinger Party, a centre-left splinter group. Japan has shown more interest in Asian affairs since the arrival of the current government in June under Mr Tomiichi Murayama, its Socialist and pro-Asian prime minister.

Hopes rise for Burma dialogue

Victor Mallet on new meeting with democracy campaigner

Aung San Suu Kyi: meeting with military rulers publicised

A second meeting between Burma's military rulers and Ms Aung San Suu Kyi, the detained pro-democracy campaigner, sharply raised hopes at the weekend that the junta and its opponents would soon start negotiating a political settlement after years of violence and human rights abuses.

Details of the meeting are scarce. Lt-Gen Khin Nyunt, the powerful head of military intelligence and "Secretary One" of the State Law and Order Restoration Council (Slorc) - as the junta calls itself - met Ms Suu Kyi in the company of two other generals for three hours on Friday morning.

Unlike the first such meeting on September 20, news of the latest encounter at an army guest house in Rangoon was given pride of place in the official media.

Ms Suu Kyi, who has been under house arrest at her Rangoon home for more than five years, was shown smiling and chatting with the generals in the lead item on the television news, and three photographs appeared on the front page of the New Light of Myanmar [Burma] newspaper.

Burmese citizens, who voted overwhelmingly for Ms Suu Kyi's National League for Democracy in a 1990 election whose results were ignored by the armed forces, were delighted but baffled.

An official statement said merely that the discussions were "frank and cordial", that they covered Burma's political and economic situation, including reforms being implemented by the Slorc, and examined "steps that should be taken with a view to the long-term welfare of the nation".

No-one expects the talks to be easy. Indeed some Burmese, including government officials, dismiss the discussions as a ploy by the armed forces to improve their international image and head off a resolution in the UN general assembly condemning Burmese human rights abuses.

Such suspicions are reinforced by events which attract less publicity than the meetings with Ms Suu Kyi.

Earlier this month, for example, five of her fellow-dissidents were quietly sentenced to between seven and 15 years in jail on a variety of charges including spreading information "damaging to the state".

"The Slorc is just using the meetings to get a breathing space in the international community," said one Burmese businessman. "They don't want to share power or give any role to Aung San Suu Kyi in creating our country's future."

Others believe the meetings represent a genuine desire to negotiate on the part of the junta - Ms Suu Kyi herself has always said she is willing to talk - although they accept that the two sides remain far apart.

"The only common ground, perhaps, is a desire for reconciliation," said one Rangoon-based diplomat.

Ms Suu Kyi is aware of the sensitivities of the army and has gone out of her way to say she is not anti-military; her father Aung San was the Japanese-trained general who led Burma to the brink of independence from Britain in the 1940s.

But she insists on the need for democracy and has called the National Convention - a Slorc-dominated conference that is drawing up a new constitution designed to ensure military control of future governments - "a farce".

Slorc members, on the other hand, demand continued military influence in politics.

Some hardliners, such as Gen Tun Kyi, the trade minister and former Mandalay commander who once called Ms Suu Kyi "an ant to be swept off the road", are said to oppose the whole idea of negotiations.

But the Slorc needs to be seen to be negotiating in good faith while it seeks the help of foreign investors and donors.

An economic recovery in the last couple of years has begun to repair the damage caused by the army's "Burmese Way to Socialism" after it took power in 1962.

Even Singaporean and Thai investors sympathetic to the junta say they would like to see Ms Suu Kyi released, while the western nations and Japan want to profit from the economic growth in this country of 43m people at the same time as upholding their human rights principles; Mr Thomas Hubbard, US deputy assistant secretary of state for east Asia, is to visit Burma this week after a long period of frosty relations between the two countries.

As one Burmese dissident noted last week, the increasingly confident junta is having some success in changing the international agenda.

Foreign governments used to demand the instant release of Ms Suu Kyi and the immediate transfer of power to the democratically-elected government; now they want a "meaningful dialogue" and moves towards democracy.

The hard task facing the Slorc and Ms Suu Kyi is to agree on a definition of democracy. Brig-Gen Kyaw Ba, a member of the 21-man Slorc, commenting on the Suu Kyi-Slorc talks in an interview on Friday, declared that Burma already enjoyed freedom. "We have a democracy according to the Myanmar way," he said. "Democracy must be a disciplined democracy. It must not be a rowdy one."

Ms Suu Kyi would have sighed at these words. At a meeting with a US congressman in February, she said: "Having imposed the Burmese Way to Socialism on us for so many years, I now dread the Slorc wanting to impose its idea of a Burmese Way to Democracy."

Frelimo heads for Mozambique election victory

By Peter Stanley and Reuter in Maputo

Mozambique last night seemed within reach of a lasting peace when the country's former rebel leader indicated that he would accept the outcome of the country's first multi-party elections, and would accept a post in a government of national unity.

As early results in the three day election suggested a comfortable victory for President Joaquim Chissano's ruling Frelimo party, Mr Afonso Dhlakama, head of Renamo said he would abide by the outcome if it were adjudged free and fair.

Final results of the election, the final stage in the agreement signed in 1992 which ended the country's 16-year civil war, are not expected before mid-November. Over 90 per cent of the estimated 6.4m electorate are thought to have voted in an exercise which internal observers endorsed as democratic.

Apparently conceding defeat, Mr Dhlakama said: "We have to admit sometimes you win, sometimes you lose. It (democracy) is like football. If the elections are fair we will not contest them .We would accept and recognise the results."

He also called for an early meeting with President Joaquim Chissano: "I am prepared (to meet him) anytime so that we can discuss the future," Mr Dhlakama said. "We want to build confidence with our brothers." The Renamo leader said he wanted to discuss with Mr Chissano ways to ensure a peaceful transition after the elections. The president, while not ruling out a government of national unity, has not so far displayed great enthusiasm for the concept.

Some senior party members, however, are urging Mr Chissano to follow South Africa's example. "The way forward is a unity government - that way we will avoid trouble by ensuring all Mozambicans are winners," said Mr Alves Gomes, an influential and long-standing Frelimo supporter.

"I know my party will win but I want it to work with other parties," he added. Frelimo is also coming under pressure from South African President Nelson Mandela and Zimbabwe's Robert Mugabe to bring all main parties into his government.

Moroccan sale oversubscribed seven times

By Francis Ghilès in Casablanca

Morocco's largest privatisation passed one of its most important hurdles last week when an issue on the Casablanca Stock Exchange representing 16 per cent of the equity in the Société Nationale d'Investissements (SNI) was seven times oversubscribed.

The flotation forms part of the sale of 67 per cent of SNI under a programme to shed state assets started in 1992.

In addition to the public shares offered on the stock exchange, a further 51 per cent of SNI's capital is being sold to institutional investors which have been asked to bid for blocks of shares at a floor price of Dirham 325 per share (£23). Of this 35 per cent will go to a "hard core" of Moroccan institutional investors who must hold the shares for at least five years, while 16 per cent will be sold to foreign and Moroccan institutions.

SNI is a holding company with stakes in 41 businesses ranging from cement to food-processing. Three sectors dominate - cement accounts for 34 per cent of SNI's assets, food processing and drinks another 34 per cent and financial services for 12 per cent.

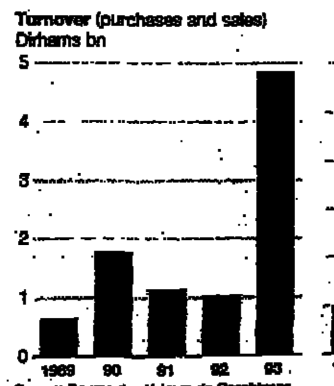
The exact value of SNI's assets is difficult to ascertain as many companies in its portfolio are not publicly traded and the accounts of those that are often not consolidated. But the minimum value of SNI's assets is estimated at £172m, which makes the holding Morocco's fourth largest company in terms of market value.

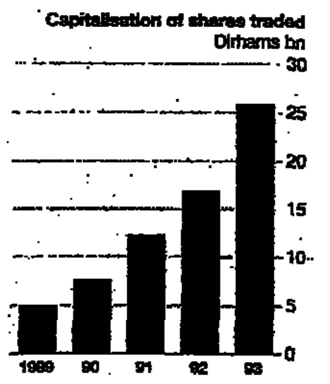
Since 1992, the state has sold Dirham3.072bn (£266m) worth of assets.

The privatisation of SNI will push this figure to £331m. A further boost will come before the end of the year when the state expects to sell part of its 50 per cent stake in Morocco's second largest bank, Banque Marocaine du Commerce Exterieur and part of its 49 per cent shareholding in Crédit Immobilier et Hotelier, the real estate financing agency.

Direct foreign investment in Morocco has risen steadily since 1987 to £349m last year and is expected to top £616m this year. Trading volume on the Casablanca stock exchange increased more than three-fold last year and volume in 1994 is already well up on last year's figure. The 25 Share Index set up by Casablanca Finance Group, an investment bank set up in 1992, showed a 35 per cent increase last year; this year's increase is expected to be even larger.

Casablanca stock market





Source: Bourse des Valeurs de Casablanca

US, UK top drugs market growth

By Daniel Green

PHARMACY DRUG PURCHASES
January-August 1994 ($m)

	N Amer	Japan*	Germany	France	Italy	UK	Spain	N'land	Belgium
Cardiovascular	5,570	2,206	2,117	2,062	1,138	604	516	209	213
Alimentary/Metabolism	5,580	2,750	1,539	1,337	873	703	423	249	164
Central Nervous System	5,776	715	930	930	468	480	291	133	166
Anti-infectives	3,138	1,754	555	894	586	250	314	68	116
Respiratory	3,424	1,053	893	584	292	549	248	155	96
Musculo-Skeletal	1,493	1,380	469	353	267	237	141	49	58
Blood Agents	1,541	1,171	336	495	285	59	148	48	43
Others	7,465	3,096	1,866	1,363	935	694	467	201	180
Total	3,987	14,125	8,705	8,018	4,844	3,576	2,548	1,112	,036
% Change**	8	1	6	2	-8	8	4	6	3

*Non-hospital market only **Increase excluding currencies

Source: IMS International

The US and UK remain the fastest growing pharmaceuticals markets in the world, but the gap is slowly being closed by other western European nations, according to figures published yesterday.

Drug sales in the US for the first eight months of the year stood at $34bn (£21bn), 8 per cent higher than a year ago. This represents modest growth in the US by recent historical standards and was matched only by the UK where drug sales rose to $3.6bn, said IMS International, the specialist market research company.

Both the UK and the US have been relatively lenient towards drugs companies. Other countries have imposed sometimes draconian price controls on drugs in an attempt to limit the growth in healthcare costs.

The world's second biggest market, Japan, saw sales rise only one per cent – to $14.1bn – in the first eight months of 1994 compared with the same period a year earlier. Drug sales growth in Japan averaged 6 per cent in 1993 but the government imposed widespread price cuts in April this year. Italy has seen the sharpest turnaround in the fortunes of the drug sector. A January reform to the the system under which some drugs were paid for by the state has led to many widely-used products now sold at half or even full price. The latest figures show that drugs sales are running at 8 per cent below a year ago.

In Germany, drugs sales have recovered this year. August was a good month for the industry, and sales for the year to August were up 6% on 1993, at $8.7bn. This is compared with a 5% rise recorded year on year in July.

France recorded a 2 per cent increase for the first eight months of 1994 over the same period of 1993.

S Africa plans action on privatisation

The South African government intends to press ahead with privatisation as quickly as possible in an effort to raise new funds for its centrepiece Reconstruction and Development Programme. At the same time it plans to cut the size of the civil service and the salaries of top government officials, *writes* Mark Suzman in Johannesburg.

The speedy implementation of the first two proposals is regarded as crucial if the government is to meet its goals of cutting the size of budget deficit, currently at 6.6 per cent of gross domestic product. The third is a largely symbolic action designed to improve the administration's public image. The government has come under increasing pressure in recent months over top officials' high salaries at a time when the country is being asked to accept austerity programmes.

Making the announcement over the weekend, deputy president Thabo Mbeki, standing in for President Nelson Mandela, said the plan represented a "bold and imaginative shift" in policy.

Under the plan the president and his two deputies will each take a 20 per cent salary cut while national ministers, regional premiers and the heads of the Senate and National Assembly will accept 10 per cent cuts. Further increases will be limited to 5 per cent a year.

The proposals also call for the 1.2m-strong civil service to be cut to less than 1m.

INTERNATIONAL NEWS DIGEST

Brussels plan to cut EU airport service costs

The European Commission is drawing up plans to open the market for ground handling services at European airports, a move that could sharply reduce airlines' costs. Action to force competition in airport services will tackle the last significant element of air transport not in theory opened up to competition when the single European market came into force two years ago. The commission aims to present draft legislation to EU transport ministers at a meeting next month.

Airlines argue that at many European airports, ground handling services are controlled by monopoly suppliers. Air France, British Airways, KLM, Lufthansa, SAS and Spanair, which have joined forces to support opening the market, say the monopolies typically charge 30-50 per cent more than suppliers who face competition at other airports. The services in question cover passenger and baggage check-in, loading and unloading of baggage, mail and cargo handling, aircraft cleaning, towing, refuelling and aircraft maintenance. *Emma Tucker, Brussels*

HK confirms Jardine deal

The Hong Kong government confirmed yesterday that a company owned by trading house Jardine Matheson had won the contract to build a navy base for China before the British colony reverts to Beijing's control in 1997. The HK$790m (£62.8m) colonial government contract to build the base was awarded to Gammon Construction by the government's Central Tendering Board, secretary for security Alistair Asprey said. Gammon is owned by Jardine Matheson, Jardine Pacific and British-headquartered Trafalgar House, in which Jardine group company Hongkong Land has a 25 per cent stake. Jardine, which moved its group headquarters to Bermuda in the mid-1980s, has been embroiled in a dispute with Beijing over its backing of democratic reforms in the territory. "The actual contract itself is a straightforward Hong Kong government contract," Mr Asprey said. China was not consulted, he said, but added it would be consulted on its requirements for design of the base. *Reuter, Hong Kong*

Japanese party disbanded

A symbolic step in the reform of Japanese politics was completed yesterday when the party that triggered the current upheavals disbanded itself to prepare to merge with Opposition allies. The Japan New Party of former prime minister Morihiro Hosokawa chose the occasion of its first national convention since its birth in May 1992 to announce its disbandment. Mr Hosokawa, a former member of the ruling Liberal Democratic Party, founded the JNP out of repugnance for the complacency encouraged by the comfortable links between the bureaucracy, politicians and business. That theme has since become central to the political reform movement, and to the eight other potential members of the new opposition party, who are expected to follow the JNP's example and ritually close down over the next month or so. The new party is expected to be created in December. Opposition parties are now attempting to close ranks, in another attempt to put pressure on the LDP and eventually push it out of power. *William Dawkins, Tokyo*

Italian businessman held

French police yesterday arrested in Paris Mr Ferdinando Mach Di Palmstein, a Swiss-born Italian businessmen who has been on the run from arrest warrants issued by Milan anti-corruption magistrates for 18 months. He is one of two key remaining businessmen on the magistrates' wanted list associated with Mr Bettino Craxi, former Socialist leader and prime minister.

At least five arrest warrants have been issued against Mr Mach Di Palmstein on various charges of corruption since early 1993 by Milan and Rome judiciaries. Earlier this month he was sent to trial with 43 other politicians, officials and businessmen on charges relating to alleged misuse of Italian overseas aid funds. *Robert Graham, Rome*

Veto on Slovenia expected

Italy is expected to veto the opening of negotiations between the European Union and Slovenia on an association agreement at a meeting of EU foreign ministers in Luxembourg today. This follows Slovenian government repudiation of an agreement reached two weeks ago at Aquileia in Italy between the Italian and Slovenian foreign ministers. Mr Lojze Peterle, Slovenian foreign minister and leader of the Christian Democrat party, is due to step down today, having resigned in protest at what he considers a tendency of the Liberal Democrat party, led by prime minister Janez Drnovšek, to monopolise power. The Liberal Democrats objected to a clause in the Aquileia agreement whereby Slovenia undertook to draw up a list of real estate formerly belonging to Italian citizens and now in public ownership, with a view to giving former owners or their heirs the right to buy it back. *Edward Mortimer, Bled, Slovenia*

Impasse in Algeria conflict

The 40th anniversary of Algeria's revolution against French rule is being overshadowed by President Liamine Zeroual's admission that political efforts to end a conflict with Moslem fundamentalists had failed. The army-backed president said at the weekend a political dialogue with Islamic Salvation Front (FIS) chiefs had gone nowhere. He accused one leader of ordering Islamic guerrillas to mount a new offensive. In a statement faxed to Reuters in Paris, the FIS urged President Zeroual yesterday to take part in a live television debate with the two leaders of the party. *Reuter, Tunis*

Israel eases currency curbs

Israel yesterday announced a further step in liberalising its currency. From tomorrow Israelis going abroad on holiday will be free to take up to $7,000 in cash, instead of the present ceiling of $3,000. They will also have unrestricted use of credit cards for buying goods and services, though not for drawing cash. Previously, any credit card transactions were subject to the $3,000 limit. A Bank of Israel spokesman acknowledged that the change was mainly psychological. The average Israeli tourist drew only $1,500 when travelling. But it would affect the climate and enhance the sense of a free currency. Business travellers already enjoy a ceiling of $9,000, which can be increased where justified. *Eric Silver, Jerusalem*

Malaysia sect leader freed

The Malaysian leader of an Islamic sect called deviationist by the authorities has been freed from jail in Kuala Lumpur. Mr Ashaari Muhammad, head of the Al Arqam sect, had been jailed without trial since early September. Al Arqam, which claims more than 100,000 followers in Malaysia and more overseas, was banned in August. Mr Ashaari recently appeared on TV saying he regretted straying from the true path of Islam. But many Al Arqam members say he was forced by police to make his confession. Malaysian authorities say Mr Ashaari's release is conditional. It is believed he will remain under house arrest. *Kieran Cooke, Kuala Lumpur*

FT wins Euro economy award

The Financial Times has won the 1994 Prix Stendhal for writing on the European economy – for its series last spring entitled "Can Europe Compete?" The prize, awarded by the Geneva-based Adelphi Foundation in association with the European Commission and European Parliament, is designed to promote understanding of European issues. The judges praised the series team for tackling important economic themes clearly and for making judgments of enduring validity.

White House shots underscore case for gun curbs

By Jurek Martin in Washington

The Clinton administration yesterday seized on Saturday's shooting at the west wing of the White House to underscore its arguments that President Bill Clinton was right to have pushed for bans on semi-automatic assault weapons.

Mr George Stephanopolous, the senior presidential adviser, noted that Mr Clinton had "talked all year" about the need to ban such guns and that the Chinese-made weapon was bought on the day the president signed into law the crime bill that included bans on some types of assault weapons.

The shooting attack on a clear Saturday afternoon was the second apparent assault on the White House in six weeks and has increased concerns about presidential security. Last month a pilot with a history of mental instability was killed after crashing a small aircraft on the White House lawns.

The weekend attacker, who was tackled by bystanders before being arrested, has been identified as Francisco Martin Duran, a hotel worker from Colorado Springs. He had been dishonourably discharged from the army in 1991 after being convicted of felony and assault. His camper van parked near the White House was emblazoned with pro-gun stickers.

Mr Duran was indicted on two counts yesterday – damaging government property and, because of his criminal record, illegal possession of a fire-arm. A spokesman for the secret service said the charge of attempting to assassinate the president was also being considered.

Mr Stephanopoulos said that Mr Lloyd Bensten, the treasury secretary whose jurisdiction includes the secret service, would conduct a complete investigation into all aspects of White House security, with a final report in mid-January.

The secret service, whose duty is to protect the president, has long wanted to close Pennsylvania Avenue, the broad street outside the north face of the White House, to vehicular and even pedestrian traffic.

Mr Clinton, as Mr Stephanopoulos said yesterday, has been opposed to such curbs on the grounds that the White House is "the people's house" and should, within reason, be accessible to the public.

The president himself was watching a televised college football game in the family quarters as the 22 shots were fired, shattering windows in the White House press room but hurting no one.

He had returned on Saturday morning from a trip to the Middle East in which security considerations were very evident. He made light of the incident, quipping that he was glad "to be back in the safety and security of the White House".

Companies hit by lawsuits over sackings

By Louise Kehoe in San Francisco

A spate of employment discrimination lawsuits is hitting companies with US operations in the wake of widespread corporate "downsizing". While the hiring practices of US companies have long been scrutinised for bias, businesses increasingly face potential charges of violations of US fair employment laws for the manner in which they shed workers.

Statistical analyses of the number of workers fired, according to their race, sex and age are now essential defensive moves, according to legal experts. Increasingly, US companies are also also requiring employees to agree to settle any dispute they may have with their employer through arbitration.

The latter move is aimed at avoiding potentially large damage awards such as the $89.5m award handed down last week by a Los Angeles jury against Hughes Aircraft, a General Motors subsidiary. In the case, which involves two former employees of Hughes – one white and one black – the company has been found to have violated fair employment laws.

Hughes called the jury verdict was "irrational, irresponsible and outrageous". The company said it will move to have the jury award reduced or overturned by the judge or by a higher court.

Legal experts said that the award will almost certainly be substantially reduced. The case has, however, sent a chilling message to employers.

The award comes amid a rash of discrimination and harassment suits. In another high profile case the US Labor Department, which is supposed to be a watchdog against workplace discrimination, agreed to pay an estimated $4.9m to settle a suit that accused the agency of discrimination against its own black employees.

Businesses complain that despite their efforts to eliminate bias in the workplace, increasingly restrictive laws make it very difficult to comply. US employment laws prohibit many practices that are common in Europe and Asia. When interviewing prospective employees, for example, US employers are precluded from seeking information about the age, health or national origin of the applicant.

Since the Americans with Disabilities Act became law in mid-1992, requiring businesses to make provision for workers who are physically or mentally disabled, for example, some 27,000 claims have been filed with the Equal Employment Opportunities Commission.

'Solid growth' forecast

Mr Lawrence Lindsey, a Federal Reserve Board governor, said at the weekend that Friday's report on US gross domestic product provides "more evidence of solid economic growth" which could last for another "few quarters," AP-DJ reports from Detroit.

He told reporters before addressing a conference on housing: "I don't see anything in my crystal ball to suggest a slowdown."

Data released Friday showed that GDP rose 3.4 per cent in the third quarter, which MrLindsey noted was a faster rise than most people had expected.

Ballot initiatives stir up the voters

George Graham reports on the midterm polls' crop of state referendums

US MID-TERM ELECTIONS
November 8

Voter turnout in the US mid-term polls on November 8 is expected to be low, in the absence of a high-profile presidential election, but in some states controversial referendum proposals on the ballot paper are expected to lure people to vote.

Most controversial of all is California's Proposition 187, which would ban illegal immigrants from receiving public education or social services. The proposal, which Justice Department officials say they believe to be unconstitutional, has sharply divided the candidates in California's elections. More people say they are being drawn to the ballot box primarily by Proposition 187 than by the elections for governor and senator combined.

But California's anti-immigration measure is a rarity among the proposals on the ballot in the 24 states that allow legislation by plebiscite. Topping the ballot paper in other states are traditional measures on taxation, term limits and gambling.

In the tax field, Florida, Missouri, Montana and Oregon are proposing to follow the example of Colorado and require voter approval for all future tax increases. Voters in all of these except Missouri will also decide on a separate measure requiring a two thirds majority vote for tax increases, as will Nevada voters.

Oregon also has a sweeping proposal on the ballot which would repeal most state and local taxes, including the state income tax and local property taxes, and replace them with a 2 per cent "equal tax" similar to a value added tax. Standard & Poors, the credit rating agency, said it would have to review Oregon's debt if the measure passes.

Senator Edward Kennedy campaigning for re-election in Boston over the weekend with support from Rev Jesse Jackson (left) AP

Massachusetts, meanwhile, will vote on an alteration to the state constitution that would permit a graduated income tax. California proposes an additional tax of 4 cents a gallon on petrol, while South Dakota will vote on a measure slashing property taxes, similar to California's Proposition 13 in 1978.

California also has a number of tax measures, among them a payroll tax and a tobacco tax, included in a proposal to set up a statewide single payer health system similar to Canada's. But after the defeat of the Clinton administration's efforts to carry out less radical reform of the health care system at the national level, the measure is expected to be heavily defeated. But higher tobacco taxes to fund additional health services are thought to stand a better chance in Arizona and Colorado.

California will take a different approach to smoking in Proposition 188, which was put on the ballot by a group called Californians for Statewide Smoking Restrictions. Despite its name, this group is heavily financed by Philip Morris, the tobacco company. The proposal would, in fact, abolish the many tough anti-smoking ordinances passed by local governments in California and replace them with much weaker statewide controls.

Also attracting considerable attention is Arizona's Proposition 300, which would require the state to assess the costs to the private sector of any regulation it imposed. Supporters say the measure merely implements the guarantee in the Fifth Amendment to the US Constitution that private property may not be taken by the government without compensation. But it is hotly opposed by environmentalists, which fear it will help lawsuits against environmental regulations.

Limits on the number of terms elected politicians may serve remain a popular ballot initiative, appearing in at least eight states. In Colorado, voters will get a second bite at the cherry with a proposal to halve the number of consecutive terms a member of the US House of Representatives could serve from six to three.

Term limits on federal office-holders, however, remain under a constitutional cloud. The US Supreme Court is due to decide on their legality this session.

Proposals to authorise gambling are another staple of the ballot initiative process. This time, voters in North Dakota, South Dakota and New Mexico will get a chance to approve state lotteries. In Florida, Arkansas, Rhode Island and Wyoming, casinos will be up for approval. Missouri, which already allows river-boat gambling on games of skill, is asking voters whether to allow games of chance, which would open up the lucrative slot machine market.

In Colorado, a measure to allow slot machines at airports is on the ballot, while Minnesota is asking for approval of off track betting on horse races.

Crime is a popular ballot measure this year, with proposals mandating long prison sentences up for approval in Oregon and Colorado, and a victims' rights measure in Alaska. Georgia voters will consider a constitutional amendment providing mandatory life sentences for a second violent felony, while Californians will vote on a "three strikes and out" proposal imposing mandatory life sentences for a third violent felony. The proposal largely duplicates an existing law passed by the state legislature, but if approved by voters on November 8 it will be much harder to repeal in the future.

US warns Japan on economic squabbling

The US, seeking to extract trade concessions from Japan, has issued a fresh warning to Tokyo underscoring the risks of continued economic squabbling, Reuter reports from Washington.

Washington has been negotiating an agreement to open up Japan's glass sector and has sought an accord on vehicles and parts – the single biggest component of the US trade deficit with Japan. But the talks have proved tough going.

Should no trade deal emerge in the glass sector by today, according to top officials in the Clinton administration, the allies would find themselves in "a difficult situation". As for cars: "It is essential that we reach agreement".

The warning was directed to Mr Ryutaro Hashimoto, Japanese trade minister, in a letter dated October 25 from Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary. A copy of the letter, whose existence was first reported in a Japanese newspaper on Friday, was obtained by Reuters.

"It was a direct letter... that will hopefully provide some results," Mr Brown told US public television. "We're very anxious to re-engage the Japanese as soon as possible."

Mr Kantor and Mr Brown wrote to Mr Hashimoto in reply to two letters he had sent them earlier this month, thanking the Tokyo trade minister for his "candid comments". Officials said Mr Hashimoto had complained about a recent speech by Mr Jeffrey Garten, commerce undersecretary and the chief US negotiator on cars, in which he had outlined the advantages of private-sector co-operation.

"The Japanese took umbrage with that speech. This letter was in response," said one official. No reply to the latest US letter had been received by the weekend, another said.

But the US side made clear that a long-sought deal on automotive trade – which accounts for two-thirds of the $60bn bilateral imbalance – was vital to improved relations. "It is essential that we reach agreement," they wrote. As for glass, under negotiation this week, Mr Kantor and Mr Brown both voiced "concern at the pace of discussions in Tokyo. There are many issues left to resolve before the end of the month."

The two sides struck an agreement in principle on October 1 to open Japan's $4.5bn flat glass market and pledged to finalise the accord in 30 days.

"We cannot conclude an agreement that does not result in substantial opening of the glass distribution system. Failure to reach an agreement by the end of the month would create a difficult situation," Mr Kantor and Mr Brown said.

They did not spell out what action the US team might take should no accord emerge and reiterated that the Clinton administration was not seeking "numerical targets" over glass.

Franco-Canadian proposal on new OECD chief under fire

By Bernard Simon in Toronto

The search for a new secretary-general of the Organisation of Economic Co-operation and Development is again in disarray, with several new options being discussed by the 25 member countries of the Paris-based research body.

The US and Japan are understood to have rejected a compromise put forward by France and Canada in recent weeks to break the long impasse between their respective candidates, Mr Jean-Claude Paye and Mr Donald Johnston.

Under this proposal, Mr Paye, the outgoing secretary-general who has already served two terms, would be reinstated for another two years, to be followed by a full five-year term for Mr Johnston.

The US, which insists the OECD post should be filled by a non-European, has rejected any extension of Mr Paye's term. Japan is said to be unhappy that the Franco-Canadian plan would tie up the job for seven years. France and Canada are banking on a compromise which, for instance, might allow Mr Paye to serve one year, and Mr Johnston four.

Mr Jean Chrétien, Canada's prime minister, has telephoned the heads of several other OECD governments to revive support for Mr Johnston, whose chances were fading until the Canadians put forward the "two-plus-five" formula to French officials earlier this month.

However, one European official predicted that the impasse over the OECD job may not be broken until a choice is made for secretary-general of the new World Trade Organisation, which is due to come into being on January 1. The three contenders for the WTO job are Mexico's President Carlos Salinas, Mr Renato Ruggiero of Italy, and Mr Kim Chul-su, South Korea's trade minister.

Mr Salinas currently appears to be the WTO front-runner. But some European governments have indicated that they will not accept North Americans in both the WTO and OECD jobs. One scenario being discussed is that, if the WTO goes to Mr Salinas, Mr Ruggiero may end up at the OECD.

While obstacles facing Mr Paye and Mr Johnston have again opened the way for a third candidate, the UK is understood no longer to be pressing the candidacy of Lord Lawson, former chancellor of the exchequer.

LEGAL NOTICES

No: 006424 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
BCE HOLDINGS
PUBLIC LIMITED COMPANY

-and-

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 13th October 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of (1) the capital of the above named Company from £3,148,274.35 to £629,654.87 and (2) the share premium account of the above named Company by the sum of £1,812,247.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday, the 9th day of November 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for confirmation of the said reduction of capital and share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 31st day of October 1994

Wallace & Partners, 9 Great James Street, London WC1N 3DA.

Solicitors for the above named Company.

WIRZ

NEWS: THE MARK THATCHER AFFAIR

Harrovian Arthur Daley with a famous mum

The image of Mark Thatcher in newspapers and on television is of an extraordinarily wealthy arms industry fixer who shamelessly exploited his position as the only son of the world's most powerful woman in the 1980s to amass a reputed fortune of £40m.

It is an image created by rumour and speculation, however, rather than by hard fact. It has never been dispelled in part because Mr Thatcher has refused to comment in detail on the allegations.

The Financial Times has decided to look behind the image to the real man. Pages of company filings and court documents in the US and UK have been scoured. His close business associates have been interviewed, including some who have fallen out with him. For the first time in many years Mr Thatcher made himself available for a lengthy interview on his affairs.

What emerges is a subtly different picture. There can be little doubt that he exploited his mother's connections, although he insists that everything he did would have been achievable even if his mother had never become prime minister.

With continuing speculation about why he was mixing in defence industry circles at the time of the £20bn Al Yamamah arms contract between the UK and Saudi Arabia, the question of the propriety of his behaviour as the then premier's son remains open.

But the tales of his fabulous wealth seem a long way from the truth. Far from being a super-rich Mr Big of the arms world Mr Thatcher appears to be a relatively small-time wheeler dealer, a sort of Harrovian Arthur Daley with a famous mum, who has attempted investments in a wide range of industries with limited financial success.

In Texas, where he lives with his American wife and two children, Mr Thatcher remains an enthusiastic follower of his mother's free-market entrepreneurial philosophy and still hopes to join the ranks of the fabulously wealthy one day.

As for his current net worth, he confirms that it lies between £3m and £5m. That is a highly plausible figure, on the basis of the value of his homes in Houston and London and details compiled by the

The son of the former prime minister tells **Financial Times reporters** he is not the wealthy fixer of media reputation

Financial Times of his business interests and lifestyle.

Mr Thatcher himself points to his seven-year-old BMW and denies reports that he employs a butler to travel with him.

Mr Thatcher said: "This whole idea that I have had tremendous success is just a myth. If I had tremendous success I would not be running around trying to do the things that I am doing. I would be sitting on my own private island in the South Pacific, but I am not."

Certain questions remain regarding the exact source of the more modest wealth to which he admits.

It may also be in his interest to understate his net worth at the moment, due to widespread reports that his wife Diane is seeking a potentially costly divorce settlement. Mr Thatcher denied this: "No divorce, and any speculation of it is just fanciful."

Nevertheless there is little evidence to support claims that

home security company, Emergency Networks.

Hanson has given more than £500,000 to the Conservative Party since 1987 and Mr Li has also donated substantial sums.

The deal was carried out in 1987, the same year as his mother achieved her third consecutive general election victory in the UK, making her one of the most powerful politicians in the western world. Mr Thatcher helped put together a consortium of wealthy individuals and companies to invest in Emergency Networks in a complex business arrangement.

He did it with Mr Bruce Leadbetter, who was also his partner in the newly formed Grantham Company - an investment vehicle named after the birthplace of Mr Thatcher's mother. Mr Leadbetter is a long-time business associate of Mr Jay Pritzker, one of the owners of the Hyatt Hotel chain.

Mr Thatcher described his

> "If I had tremendous success I would not be running around trying to do the things that I am doing. I would be sitting on my own private island in the South Pacific."

he has made significant profits from the US business investments he has developed since 1987.

Conservative party officials suggested that they were the source of a multi-million pound fortune. Instead his US business experience has been coloured by a series of bitter boardroom fights and at least one big legal case.

What was probably his first significant deal in the US was partly funded by his mother's closest business supporters. It has emerged from court documents in a case involving Mr Thatcher that Hanson, the UK quoted conglomerate, and Mr Li Ka-Shing, the Hong Kong billionaire, were co-investors with him in a Dallas-based

role in putting the consortium together: "Bruce and I sat down and worked out what we wanted to raise and wrote out a list of people and got on airplanes".

They needed to find $1.5m, which Mr Thatcher said "is a very difficult number to raise because it's a lot of money".

He said: "You can run around the golf club and raise a hundred grand – you can raise money from your dentist, accountant, a few friends and come up with a hundred grand.

"Between one and a half and five million is the most difficult because no institution will look at anything where the minimum investment is less than five, they just can't afford to do it."

Among those who did agree to invest as limited partners in Xpart, an investment vehicle set up to buy more than 50 per cent of the share capital of Emergency Networks, were some of the biggest names in US finance and political circles.

A US subsidiary of the UK conglomerate Hanson and Mr Li each paid $100,000 for a Xpart stake giving them each 3 per cent of Emergency Networks. Others who invested were Mr Bruce Babbit, now US interior secretary, Mr Jay Pritzker, and Mr Joe Refsnes from Rauscher Pierce and Refsnes, the Dallas-based investment bank.

Mr Thatcher also invested in Emergency Networks through Xpart and became a non-executive director of Emergency Networks. Mr Leadbetter, who became an Emergency Networks director, was the sole director of a separate investment vehicle which controlled the Xpart consortium's investment.

Mr Thatcher denies having exploited his mother's position to put the deal together. He said the investment group was formed with a view to securing future reinvestment for Emergency Networks from the same companies and individuals.

More money was indeed raised later on, according to Hanson, when another $10m was raised from shareholders. Hanson itself invested another $300,000 in an interest bearing debenture, of which all but $30,000 was subsequently repaid.

For a time Emergency Networks was successful. By the end of 1991 the company had 36 sales facilities nationwide and was installing more than 10,000 home security systems every month, grossing more than $90m a year.

Mr Thatcher's financial share in this success was limited. He says that his shareholding in Emergency Networks never rose above 5 per cent and in 1990 he sold out for an undisclosed sum to Mr David Wallace, currently his closest business associate and a former treasurer of Lady Thatcher's fund-raising organisation, the Thatcher Foundation.

Grantham, the company jointly owned by Mr Thatcher and Mr Leadbetter, had a management service agreement with Emergency Networks. It was Grantham's main business from 1987 to 1989.

Press Association

Mark Thatcher and his wife Diane at No 10: "No divorce, and any speculation of it is just fanciful"

According to Mr Wallace, who was a paid member of staff at Grantham during this period, the company was also active in looking for investment deals in a range of industries including a record distribution company, two printing companies including one in Mexico, and a real estate development in Colorado. None of these yielded any substantial returns.

Having sold his Emergency Networks shareholding Mr Thatcher remained on the board of Emergency Networks and in January 1992 Mr Thatcher and Mr Wallace agreed to provide a $1.1m loan to the company, which had hit financial difficulties a year earlier. They did this by participating in a total $27.5m loan made to Emergency Networks by EDS, the computer services subsidiary of General Motors.

It turned out to be a wasted effort as later that year, on September 15 1992, Emergency Network filed for protection from its creditors under Chapter 11 of the US bankruptcy code. It is now undergoing Chapter 7 proceedings in Dallas, the equivalent of liquidation in the UK.

By the time of its collapse Mr Thatcher was no longer officially connected with the company, having been dismissed from the board in July 1992, according to Mr Thatcher himself. His removal, with Mr Wallace and other directors, followed a dispute with Mr Leadbetter.

Mr Thatcher blames the falling out on the close relationship Mr Leadbetter had with EDS, Emergency Networks' main lender, while also acting as a director of Emergency Networks.

An Emergency Networks board meeting was called to discuss the issue, but five days before it was due to meet Mr Thatcher and the other directors were dismissed by Mr Leadbetter. He was able to do this through his control of the Xpart investment consortium.

But Mr Thatcher refused to walk away. He and Mr Wallace were still owed $1.1m and they began legal proceedings against EDS last June in Houston to get the money back.

According to Mr Wallace the legal fight lasted just one week as EDS agreed to a secret out-of-court settlement.

Mr Thatcher said: "I did make money out of Emergency Networks. I made in percentage terms a reasonable return on my investment." But he refused to discuss the terms of the settlement with EDS.

Hanson was not so lucky. It lost $130,000 when Emergency Networks collapsed, although Mr Martin Taylor, vice-chairman of Hanson, believes most of that may still be recovered.

In 1990 the Grantham company which Mr Thatcher had formed with Mr Leadbetter was superceded by a second investment company, also called Grantham, half owned by Mr Thatcher and Mr Wallace through their respective companies – Bomark Inc and Birmingham Investments.

From its formation the new Grantham company looked at a number of investments in a range of industries as the first Grantham company had done. It was not until the end of 1992 that it took on its first significant management role – in the Ameristar Fuels group, a Dallas-based aircraft fuel organisation which had been set up in June 1990 to sell jet fuel to airline carriers.

Mr Thatcher took a low profile but played a significant role in the company, helping Mr Wallace become a major shareholder and director. Mr Thatcher's most direct involvement was through the management agreement the new Grantham company signed with Ameristar in October 1992. Through this Grantham was paid $23,000 a month by Ameristar.

At the beginning of 1993 Mr Wallace became a 20 per cent shareholder in the Ameristar group, later raising his stake to a controlling 50 per cent. Mr Wallace's estimated $2.5m investment was funded partly by Mr Thatcher, partly by his own personal funds, and partly by a loan from a mysterious Jersey-registered company called Diversified Capital which Mr Thatcher introduced him to.

Although not a director of Ameristar, Mr Thatcher attended a number of board meetings and had an office at the company's headquarters.

Mr Thatcher plays down the extent of his involvement in Ameristar, but details of it are likely to be at the centre of a law suit to be filed next month by Mr Jay Laughlin, a former Ameristar shareholder.

He is intending to add Mr Thatcher as a defendant to a legal petition which already includes Mr Wallace. Mr Laughlin will allege that Mr Thatcher and Mr Wallace conspired to take control of Ameristar and that Mr Wallace was just a "front man" for Mr Thatcher.

Mr Laughlin claims Mr Wallace persuaded him to cede control of the company in 1993 on the ground that additional investment was required. Mr Laughlin says he was then squeezed out completely last January. Ameristar Fuels Corporation filed for Chapter 11 Bankruptcy proceedings in August and has a deficit of liabilities over assets of more than $6m.

Mr Laughlin's lawyer is considering bringing the law suit against Mr Thatcher under the civil clauses of America's anti-racketeering legislation which could result in Mr Thatcher having to pay $3m personal damages.

Mr Wallace and Mr Thatcher deny Mr Laughlin's allegations and say they will be contesting any action.

Meanwhile the search for riches goes on. Mr Thatcher has two major business ventures at the moment, one a substantial property development in Dallas and the other in Azerbaijan, the former Soviet republic, which is thought to partly involve the provision of high-quality paper.

Lady Thatcher visited Azerbaijan two years ago but Mr Thatcher explained that his interest started when an American woman familiar with Azerbaijan walked into his office.

Mr Thatcher said: "She walks in one day and says: 'Mark there are some incredible opportunities down there, why don't we have a look at it?'. I thought I need this like a hole in the head, but I gave her a very modest budget, about £20,000, and said: "Fine, go and have a look around'.

"Now we have got a very modest but quite profitable business down there. From a standing start we have covered all our expenses and I'm comfortable," he said.

Mr Thatcher said he was unlikely to "make millions" out of it "because the money's not down there". But, he added, "it is bloody interesting".

Arms payoff facts prove scarce

By Robert Peston, William Lewis and Jimmy Burns

Al Yamamah deal

"Thatcher's millions from Saudi defence deal" is the UK journalistic equivalent of "Who shot Kennedy?".

An army of journalists has investigated the long-running allegation that Mr Thatcher exploited his position as the then prime minister's son to take a fat commission on the £20bn Al Yamamah military contract between Saudi Arabia and the UK.

A consensus has developed among the many Thatcher conspiracy theorists that he was paid $20m.

Hard facts are scarce, however. There is one piece of documentary evidence, authenticated as part of a US court case, that he played some role in the deal. This is a 1989 memorandum written by a US defence company executive, purporting to be an account of the executive's conversation with an employee of the US embassy in Riyadh about Saudi defence sales.

It contains the tantalising but obscure sentence: "This 4 bil US was menioned in connection with M. Thather's (sic) son."

A rather more comprehensible account of his alleged role in defence sales is contained in another company's memorandum, although this has never been authenticated. It was passed by Mr Jeffrey Rooker, the Labour MP, to Downing Street for further investigation – but the government has never commented on its veracity.

Mr Howard Teicher, an adviser to the US National Security Council during the Reagan presidency, insisted two years ago that he saw intelligence and diplomatic dispatches confirming Mr Thatcher's involvement in Al Yamamah.

More recently The Sunday Times newspaper reproduced transcripts of alleged conversations between arms dealers and agents of the Saudi royal family which appeared to confirm that Mr Thatcher had acted as an agent in that deal.

The Sunday Times has, however, disclosed that it does not possess the original tapes – and anyway the transcript gives no detail of payments to Mr Thatcher. Officials and politicians have privately confirmed that in the mid-1980s Mr Thatcher was mixing in the circles of those who were involved in the negotiations – so the journalistic quest for this holy grail of alleged sleaze will go on.

For his part Mr Thatcher says he is a friend of Mr Wafic Said, the Syrian-born financier who acted as go-between for the British negotiators on Al Yamamah.

But he insists that the relationship with Mr Said is rooted in the close friendship between his wife, Diane, and Mr Said's wife, Rosemary.

Mr Thatcher said: "Merely because I know this man does not mean to say that he is going to pay me £12m because I am a nice guy."

Dabbler in a variety of sectors

By Jimmy Burns and Robert Peston

The career

The little bit of help which Mr Mark Thatcher received in his US investment business from his mother's corporate friends is strikingly reminiscent of the affair which first drew attention to his business career. This was his role as a consultant more than a decade ago working for Cementation.

Cementation's owner, Trafalgar House - like Hanson and Mr Li – is another substantial Conservative party donor.

There was a political storm when his role for Cementation was disclosed, because Oman awarded the company a contract for building a university at about the same time as his mother visited the country.

Mr Thatcher was at that period working with his friend Mr Stephen Tipping, a former racing driver, in a consultancy company called Monteagle International.

Mr Tipping said this week that his business dealings with Mr Thatcher ceased in 1985, when Monteagle went into voluntary liquidation, although he remained a friend of the former prime minister's son.

One of Mr Thatcher's most visible business ventures was in Hong Kong in the 1980s, where he was paid to appear in television commercials for whisky and clothes. Mr Thatcher had become something of an international celebrity in his alternative career as rally driver, having got lost in the Sahara desert for six days.

He has also dabbled in a variety of sectors as a "consultant" or middleman with mixed results. Mr Leon Walger, an Argentine businessman, this week talked of his "frivolous business relationship" with Mr Thatcher.

Mr Walger said: "We wanted to sell electrical power stations to Peru and there was a project in Paraguay to build a railway from Asuncion to Paranagua port in Brazil for the shipment of soya."

Additional reporting by David Pilling in Buenos Aires.

CONTRACTS & TENDERS

NEWS: UK

Airline industry raps new UK tax

By Paul Betts,
Aerospace Correspondent

The introduction tomorrow of a new airport departure tax in Britain was yesterday attacked by the International Air Transport Association (IATA) as an example of government taxation policies undermining the recovery of the airline industry.

Mr Pierre Jeanniot, director-general of the trade organisation that represents more than 200 international airlines, criticised the new UK tax in his annual report, prepared for IATA's annual meeting in Mexico City today.

At a time when the airline industry was finally showing signs of profitability, it was confronted with government proposals to impose fees on passengers to pay for a variety of activities such as supporting United Nations peace-keeping forces, paying membership-fee arrears to international bodies, upgrading meteorological equipment, infrastructure development and reducing environmental pollution.

"To single out international air transport as a means of funding such activities is discriminatory," IATA says in its annual report.

IATA confirmed that the industry had lost $4.1bn on international scheduled services alone last year and had accumulated losses for the past four years totalling $15.6bn.

But things were improving, with traffic now growing more quickly than capacity. Mr Jeanniot said airlines were expected to show a modest profit on international scheduled services of about $1bn this year. IATA is also forecasting average annual growth of 6.6 per cent for international passenger services between now and 1998 and average annual growth of 9 per cent for freight during the same period.

Although this was "good news", he warned that "profitability of $1bn would represent less than 1 per cent of turnover against a steady requirement for 5-6 per cent."

Britain's new tax involves a levy of £5 for travel to European destinations and £10 to other international destinations. However, airlines expected the £5 levy to apply only to EU member states, and have been charging £10 tax on tickets for travel after November 1 to European destinations outside the EU.

But the tax for all European destinations has now been set at £5, and airlines will be refunding passengers who have been overcharged at check-in.

Mr Jeanniot said: "Taxes simply increase airline costs at a time when consumers are demanding lower fares."

The new UK tax is at the middle of the scale of departure taxes elsewhere. In Europe, these include: £2.40 at Amsterdam, £4.80 at Antwerp, £14 at Athens, £9.50 at Brussels, £4.50 at Copenhagen, £12 at Faro, £2.60 at Frankfurt, £5.90 at Rome and £1.20 for domestic flights and £2 for international flights at Paris.

Airport taxes at US international gateways range from US$18-US$21, while all Canadian international gateways charge C$19.

The departure tax at Tokyo is £13.20, while Hong Kong charges £4.50, Beijing £4.70, Bangkok £5.50, Auckland £7.75, Bombay £6.50 and Singapore £6.80.

PM backs minister as 'sleaze' debate looms

By Philip Stephens,
Political Editor

Mr John Major yesterday offered strong backing for Mr Jonathan Aitken, the Treasury chief secretary, as the government prepared for a full-scale Commons confrontation over allegations of ministerial sleaze.

The prime minister's stance came amid strong attacks by Tory MPs on Mr Peter Preston, the editor of the Guardian; following the disclosure that his newspaper had used House of Commons notepaper to obtain a copy of Mr Aitken's £1,000 bill for a stay at the Ritz Hotel in Paris last year.

Mr Aitken meanwhile dismissed suggestions that he had broken parliamentary rules by not declaring a company directorship.

Mr Major's backing for Mr Aitken followed renewed demands from Labour for the Commons' to hold public rather than private hearings into allegations of financial impropriety.

But Downing Street said Mr Major had not budged from his view that public hearings would prompt unfounded "smears" against innocent MPs. Senior Conservatives added that the government could not intervene in the work of the all-party privileges committee without challenging its long-standing tradition of independence.

Labour, whose MPs are boycotting the present investigations, has tabled a motion for today's Commons debate demanding public hearings by the privileges committee of charges against individual MPs. But a government amendment says the committee itself must decide on its procedures.

Despite today's expected confrontation senior Conservatives stressed that there was still scope for a compromise between Labour and Tory MPs on the committee.

One suggestion was that individuals' evidence could be heard in private while the committee held public sessions to debate wider points of principle.

The members of the Nolan Commission, set up by the British government to review standards in public life, were named at the weekend. They are:

- **Tom King**, former Conservative Defence secretary;
- **Peter Shore**, former Labour Trade secretary;
- **Lord Thompson of Monifieth**, Liberal Democrat peer who was previously an EC Commissioner;
- **Sir Clifford Boulton**, retiring Clerk of the House of Commons;
- **Sir Martin Jacomb**, chairman of the British Council and deputy chairman of Barclays Bank;
- **Prof Anthony King**, politics professor at the University of Essex and a frequent BBC television commentator;
- **Sir William Utting**, chairman of the National Institute for Social Work;
- **Dame Anne Warburton**, former British Ambassador to Denmark and the United Nations, and
- **Diana Warwick**, chief executive of the Westminster Foundation for Democracy.

Trade mark law has the sweet smell of success

By Robert Rice,
Legal Correspondent

UK businesses will be able to register three-dimensional shapes, sounds and even smells as trade marks for the first time today when the new trade marks legislation comes into force.

The 1994 Trade Marks Act is designed to streamline and simplify procedures for protecting brands and bring UK trade marks law into line with the rest of the European Union.

The UK Patent Office estimates the new law will save British business up to £60m in the first year and £30m a year thereafter.

Half the savings in the first year will come from the UK's ratification of the Protocol to the Madrid Agreement on the international registration of trade marks. This will allow UK companies to register their marks in all countries which are party to the Madrid Agreement in a single application.

The new laws have produced a welter of advice from trademark lawyers. London solicitors Lewis Silkin are advising all their clients to seek registration for their names, logos and packaging.

Once branding has been protected there will be no need to prove established goodwill and misrepresentation to establish passing off, or to fight infringement of copyright or design right battles, it says.

Some marks will still be excluded from registration, however. Names which are exclusively descriptive or geographical, shapes which result from the nature of the goods or which give substantial value to the goods, national flags, the Red Cross and royal insignia are all excluded. This casts doubt on whether such things as York Trailers, Dimple Whisky bottles and Jif Lemons will be registrable.

In addition to making it easier to apply for an international trade mark under the Madrid Protocol, the act sets out procedures for applying for a Community Trade Mark.

Community trade marks, expected to come into force in 1996, will allow UK businesses to get EU-wide protection for their mark with one application to the European Trade Marks Office in Alicante, Spain. At the moment companies have to file separate applications in each EU member state.

UK NEWS DIGEST

Milk row as dairy market is shaken up

Britain's Dairy Trade Federation, which represents milk processing companies, is to complain to the Office of Fair Trading and the European Commission about the shake-up of the UK dairy market which begins tomorrow.

The market will undergo its biggest change for 61 years when the Milk Marketing Board, the statutory buyer of milk, is abolished and farmers become free to sell to any purchaser.

The Dairy Trade Federation will make a formal complaint to the Office of Fair Trading and the European Commission on the grounds that a regulated public monopoly is being replaced by an unregulated private one.

The complaint is directed at Milk Marque, the voluntary farmers' co-operative set up by the board to act as a milk broker. Milk Marque has secured 66 per cent of supplies in England and Wales – deregulation is taking place simultaneously in Scotland and is due next April in Northern Ireland. The rest of the £3.3bn market is fragmented among about 40 dairy companies or small groups of farmer-processors buying direct from farms.

The dairy companies say this gives Milk Marque the power to push prices up sharply – an unreasonable position when European milk quotas prevent British farmers producing more than 85 per cent of the domestic market's needs.

Move to save Post sale

Mr Michael Heseltine, Britain's trade and industry secretary, has launched a last-ditch effort to rescue his proposed sale of a majority stake in the Royal Mail ahead of a cabinet decision this week on whether to drop the privatisation.

With a dozen Tory MPs publicly committed to oppose the sale of a 51 per cent in the Royal Mail, Mr Heseltine was said to be considering a range of possible compromises to "buy off" the rebels. Mr Kenneth Clarke, the chancellor, is also determined that the sale should go ahead.

The two main cabinet supporters of privatisation will seek to persuade Mr John Major that some at least of the Tory opponents could be persuaded to support a sale if stronger guarantees were given on the future of small post offices.

But there were also suggestions among Tory MPs that, as a fall-back position, Mr Heseltine was ready to consider legislating initially for the sale of a minority stake or for a majority sale phased on over a number of years.

The Treasury, however, remains strongly opposed to the idea that the Post Office be given much greater freedom within the public sector. Mr Clarke has argued that such a move would significantly undermine the present rules for public borrowing.

Upbeat inflation view

Britain will not experience a sharp return to wage inflation or an escalation in pay settlements over the next twelve months, says the independent Industrial Relations Services in its annual review of pay prospects published today. The report believes "any upturn in pay awards will be small in the immediate future with settlements likely to rise by between 3 to 3.5 per cent in the early months of 19895".

IRS argues that the downward pressure on settlements of recent years – poor corporate performance and employers' inability to raise their product prices – remains strong.

Meanwhile, a report by City stockbroker Goldman Sachs says that UK interest rates should rise soon to hold down inflation.

The report says that analysis of the firm's inflation indicators provides "a strong case" for the rise if the government wants inflation to remain in its target range of 1 per cent to 4 per cent. The warning comes ahead of tomorrow's Bank of England third quarter inflation report and Wednesday's meeting between the chancellor of the Exchequer and Mr Eddie George, the Bank's governor.

Minimum wage split

Four out of ten UK engineering companies support the introduction of a statutory minimum wage, says a survey from the Engineering Employers Federation.

Although just over half those polled opposed the idea, the level of support for a statutory minimum wage among 100 engineering business leaders is surprisingly high.

A similar number believed a minimum wage would have no effect on unemployment levels, while 51 per cent said the jobless total would rise. More predictably, two-thirds of companies said that accepting the provisions of the European Union's Social Chapter would lead to substantial job losses in the UK.

The results are contained in the EEF Manufacturing Matters Survey, conducted in the run-up to today's Manufacturing Matters conference in London.

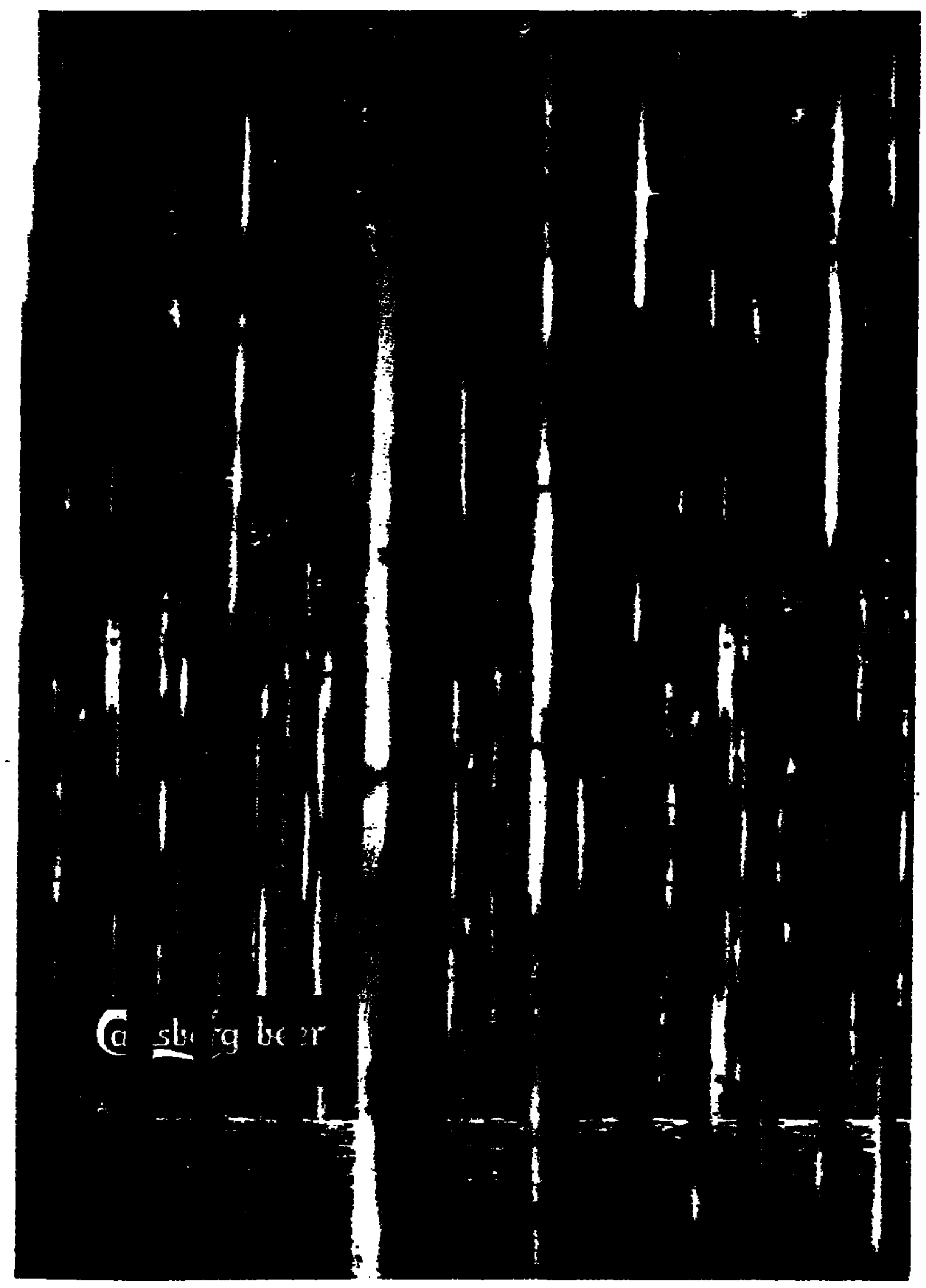
More than half of those polled said short-termism by the Government had contributed to the decline in British industry over the past decade.

Safeway joins cola war

Safeway, Britain's third-largest food retailer, is joining the cola wars with the launch of an own-label cola called Safeway Select, putting further pressure on brand leaders Coca-Cola and Pepsi.

Safeway's product, on sale in all its stores from today, follows the high-profile launch of Classic Cola by J Sainsbury, the UK's largest supermarket group, and of Mr Richard Branson's Virgin Cola.

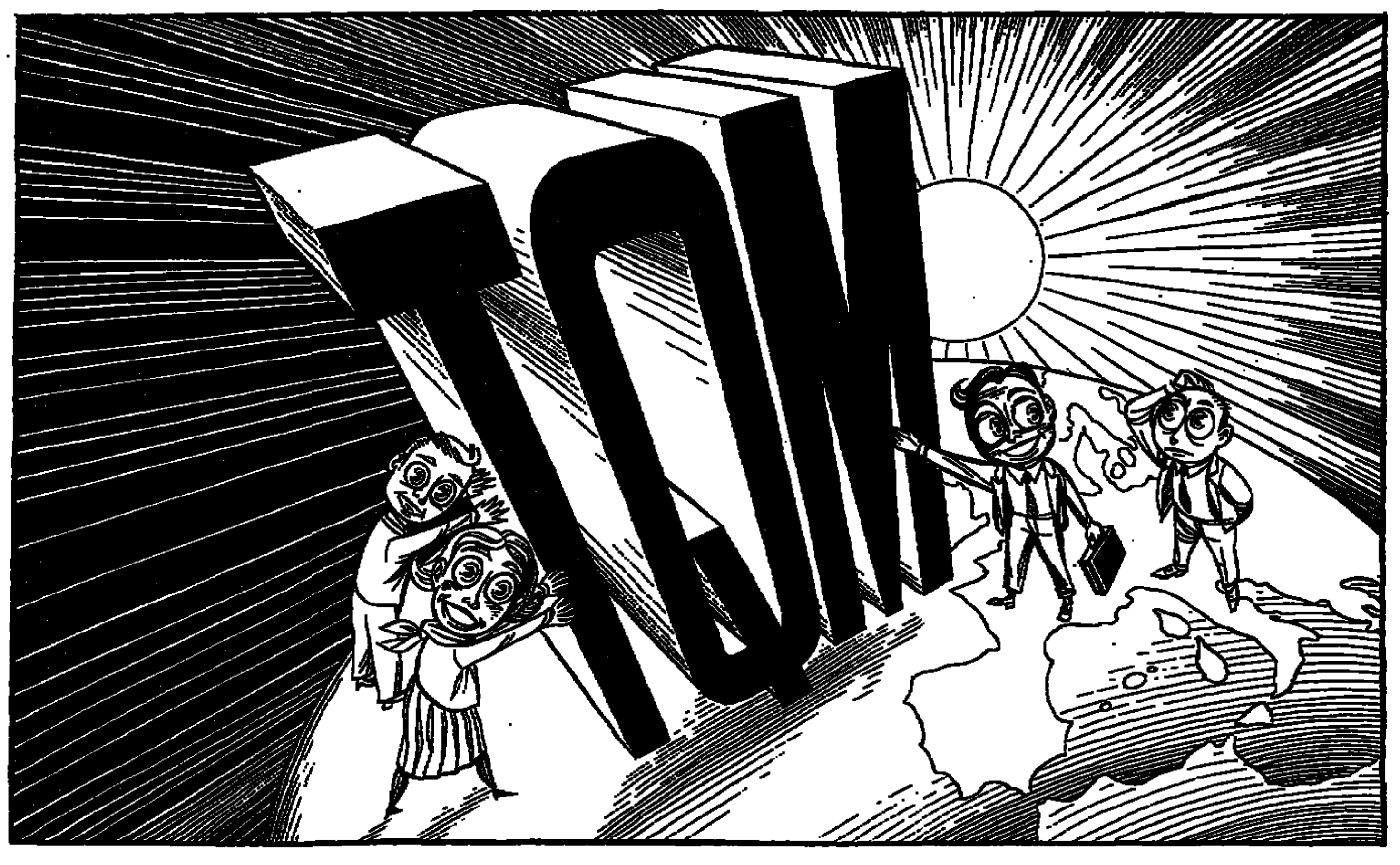
The launch throws Britain's three leading superstore chains into a head-to-head battle, since Virgin has signed a six-month exclusive distribution deal with Tesco. All three products are made by the same manufacturer, the Canadian soft drinks company Cott, but each claims to have its own unique formulation with which to attack the UK cola market, said by Safeway to be worth £1.3bn a year.



MANAGEMENT

Vanessa Houlder examines why Total Quality Management has been slow to take root in Europe

Two steps forward, one step back



Total Quality Management, one of the most pervasive management doctrines of the 1980s, has lost some of its glamour in recent years. But its central idea – that quality should be applied to every aspect of an organisation – still commands passionate support from its converts.

"Quality is a way of life," declares Jan Timmer, president of Philips Electronics, the Dutch group. "Total quality is not a passing business fad but embedded in the permanent principles of human philosophy," says Louis Schweitzer, président directeur général of Renault, the French car company.

These endorsements, made at a European Quality Management Forum in Amsterdam this month, reflect the strength of enthusiasm expressed by exponents of the quality movement. Its advocates are eloquent about its central themes, namely the importance of the customer, the case for empowering employees, the need to view business activities as processes and the goal of continuous improvement.

The rhetoric associated with TQM is underpinned by a serious debate. Is Europe once again falling behind on quality? If so, is TQM, which is no longer viewed as a panacea in the US, the best way forward?

Europe's take-up of TQM remains well behind that of the US, which adopted TQM in the 1980s, and Japan, where TQM first became entrenched in the 1950s and 1960s. A survey by the European Foundation for Quality Management, the Brussels-based body which organised the Amsterdam conference, found that 30 per cent of European companies claim to have adopted TQM, compared with 55 per cent in North America and 53 per cent in Asia. Even fewer European companies – a mere 5-10 per cent – are actively pursuing TQM, it says.

Champions of TQM view these figures with dismay. "European companies will fall short on quality if they do not participate in TQM," according to Geert de Raad, the EFQM's secretary general. The European Commission is also concerned. It has proposed a "European policy for the Promotion of Quality" in a recent white paper.

A particular concern for the promoters of TQM is to extend its reach into countries, such as Germany, where it has made little impact, although BASF, Siemens, Grundig and Volkswagen are notable exceptions.

"In Germany where quality has always been established, TQM is not as easily accepted as in many other countries," says de Raad.

The mixed reviews earned by TQM should not necessarily be a deterrent. When the Conference Board, a business membership organisation, reviewed a large number of reports on TQM last year, it concluded that "progress in this difficult area appears generally positive".

That said, many problems recur in implementing TQM. A particular challenge concerns winning the support of employees, especially in companies where morale is undermined by redundancies or where the top management is seen to lack a "gut commitment" to quality.

Middle managers, in particular, are often unenthusiastic about "empowering" their subordinates. "Middle management are going to find it hard to delegate the responsibility when their own jobs depend on meeting budget targets," says Peter Herriot, director of research at Sundridge Park Management Centre in the UK.

Another common criticism of TQM is that it is too inward-looking. An obsession with methodology and standards can distract a company from chasing sales. Excessive red tape can make employees disillusioned. An early quality programme run by Philips Electronics, for instance, failed because of "an overemphasis on systems and procedures and forms to fill", Timmer explained at this month's Amsterdam gathering.

But champions of TQM believe that it should focus the minds of managers on both external and internal factors. The model publicised by the EFQM, for instance, stresses business results, the impact on society, people satisfaction and customer satisfaction, as well as internal issues such as processes, policy, people management and leadership.

One of the tasks facing promoters of TQM is how to increase the uptake of total quality in different types of organisation. Its most notable successes have been concentrated in manufacturing companies, primarily in large international companies. All three winners of the European Quality award sponsored by the EFQM have, so far, had foreign parents.

The relatively low number of quality accolades won by the service sector in Europe can partly be explained by their tendency to adopt TQM later than manufacturers, many of which were brought into total quality by adopting quality standards.

Companies with a strong marketing bias have also moved into TQM relatively late, partly because they found TQM's emphasis on customer satisfaction "boringly bland", according to John Sharpe, chairman of Birds Eye Wall's. He believes, however, that TQM can help companies address neglected issues.

Smaller companies have also tended to be slow to take up TQM, partly because managers may feel too busy to undertake the extra work and partly because they are often more closely in touch with their customers than larger companies.

Increasingly, however, they may be under pressure to fall in line with the demands of larger customers.

"Unless suppliers are in tune with the quality demands of their customers they will not be able to meet their demands," says Clive Capp, managing director of Howard UK, an IT support company that has enthusiastically endorsed TQM.

Public-sector organisations are also begining to experiment with TQM. The principles of TQM for non-profit organisations are no different than from any commercial organisation, once they define the nature of their customers and their results, says Ian Raisbeck, director of quality at the Royal Mail. The EFQM is making efforts to bring more small companies and non-profit organisations into its fold. At the same time, it is working on promoting TQM in under-represented countries, notably Germany.

The attitude of German companies may be changing, according to the findings of a separate report by the Conference Board.

"As global competition intensifies, German companies are concluding that a narrow definition of product quality is no longer sufficient to ensure success," it says.

Evidence suggests, therefore, that TQM is gradually building up momentum in Europe, although progress remains slow in several sectors and countries. The promoters of TQM have a tough challenge in sustaining interest in TQM in the notoriously fickle marketplace for management concepts.

Enthusiasts, such as Schweitzer, are convinced that TQM will not be superseded by other management fads.

"The principles of TQM are a matrix in which many other doctrines fit," he says. "The basic principles of total quality are permanent principles of good management."

Satisfaction guaranteed

Design to Distribution (D2D), the ICL subsidiary which won this year's European Quality Award, attributes a fundamental improvement in its performance to total quality management. "Quality management satisfies customers, reduces costs and motivates people," says Alastair Kelly, managing director.

TQM has helped D2D, a contract electronics manufacturer, achieve a 300 per cent increase in staff productivity since 1980 and save £2m a year from "getting things right first time," he says.

But after 10 years of working on TQM, he emphasises that the technique is "no quick fix". D2D has gone through several stages of using TQM, in which it experimented with different techniques and addressed a succession of issues.

The company had to reappraise its approach at one point. After many years of applying TQM and winning various awards, D2D had disappointing results in 1990 when it polled customers for their views. It found that many of their requirements had not been included in the company's evaluation model.

As a result, it adopted the business model constructed by the European Foundation for Quality Management which encouraged it to take a more comprehensive approach to quality issues. As part of this, it tried to improve customer service by training staff and introducing a score-card system to allow customers to specify exactly what they needed.

The EFQM model requires a company to assess itself on nine issues, namely leadership, policy and strategy, people management, resources, processes, customer satisfaction, people satisfaction, impact on society and business results.

Many companies use this model for their own assessment purposes without putting themselves forward for the European Quality Award. Those companies which do go forward for the award prepare a report which is scrutinised by a six-member team of assessors; companies that are short-listed receive a site visit.

The companies deemed to have demonstrated the highest standards of TQM are given a quality prize; the best is given the European Quality Award. This year's other prize winners were IBM SEMEA, which manages IBM operations in southern Europe, the Middle East and Africa, headquartered in Italy, and Ericsson of Spain, a Spanish subsidiary of the telecommunications company.

All applicants for the award receive a feedback report, highlighting their strengths and weaknesses. For D2D, its assessment showed that it needed to improve its performance concerning its "impact on society" and "business results".

Winning the EFQM's award does not mean D2D can relax in its efforts to improve the quality of its business, says Kelly. "It is a milestone but not the end of the journey," he says. "The moment we stop changing we start to die."

Brochures for self assessment and applications for the 1995 award are available from EFQM, Avenue des Pléiades 19, 1200 Brussels, Belgium.

PIONEERS AND PROPHETS

Douglas McGregor

Knowingly or otherwise, every western manager who is applying the lessons learned on an organisational "change" programme of any kind has become a follower of this social psychologist-turned college president (1906-1964).

His influence has reached us by two routes over the past decade: through the work of popular writers such as Tom Peters, Robert Waterman, Rosabeth Moss Kanter and Warren Bennis, the leadership expert who was a pupil of McGregor; and via his impact on modern performance appraisal processes, reward systems and other personnel management techniques.

McGregor's main contribution came just four years before his death, in *The Human Side of Enterprise*, a book which transformed into a convincing managerial theory the overworked and often cynical mantra that "an organisation's greatest asset is its people". The theory was taken to extremes by the "human relations" school which followed McGregor: its excessive emphasis on bottom-up management at the expense of authority damaged his credibility. But the more balanced practice of his principles in recent years has rightly restored his reputation.

McGregor's creed will be familiar to every manager trying to operate in a flat, high-performance organisation in Europe or the US today; that most people, in most situations, are best motivated by being treated as part of a community where objectives and responsibility are shared. They will then exercise self-direction and self-control, and use their creativity to help resolve the organisation's problems.

This doctrine of "intrinsic" motivation, which McGregor christened "Theory Y", contrasted starkly with the traditional command-and-control doctrine propounded earlier in the century by, among others, Henri Fayll, and still practised by many organisations today.

McGregor called this "Theory X", and lambasted managers for subscribing to its underlying assumption that most human beings are lazy, avoid work and responsibility and need to be controlled, threatened and kicked in order to contribute even just adequately to organisational objectives.

McGregor's distinction between theories X and Y has become so influential in the US and Europe over the past few years that it has been taken as being applicable around the world. But this is open to question. In a speech last month Gerrt Hofstede, an expert in national cultures, argued that the distinction is irrelevant, for instance, in south-east Asia, where people's attitudes to work, and to the groups of which they form part, are very different from those of westerners.

As with so many other culture-bound management principles – eastern as well as western – the worst mistake of all is to think that McGregor's approach constitutes the "one best way" of doing things in all circumstances. To embroider an accolade from Bennis, "McGregorian chant" may be "profoundly true" in the west, but not for everyone everywhere.

Christopher Lorenz

Of fish 'eads, baked beans and cola

MICHAEL THOMPSON-NOEL

There are signs, say researchers, of a tilt in consumer sentiment away from cut-price, own-label goods and back towards higher-priced branded ones. But the "demanding consumer" – acutely value-conscious and sceptical about advertising claims – is now said to be a fixture of the retail landscape.

That sounds correct to me, though I find myself moving in the opposite direction to the general mood. For example, I have boycotted own-label food products for years. This followed a visit, one freezing morning, to a scene from hell: a processing plant in Hull where fishwives working for a famous food manufacturer were gutting and filleting the catch. My fur coat made them giggle.

I approached one of the women. She was placing each brilliantly-sliced fillet in a tray packed with ice and throwing the head, tail and bones into a bucket at her elbow.

I said: "What's the bucket for?"

She replied that the scraps in the bucket were used by her employer to make own-label fish-fingers for a supermarket chain. I said I found that shocking. She said: "You've 'ardly lived, my robin. There's nothing wrong with 'eads."

After that I ignored own-label products, believing, in any case, what marketing folk told me: that the higher prices charged by makers of branded goods reflected what they *said* they did: superior product development and quality as trumpeted, expensively, in their advertising campaigns. Yet own-label products have got better and better. Today, almost all my supermarket purchases of commodity-type items are retailers' own-label.

Some weeks ago I had lunch with David Sainsbury, chairman of J Sainsbury, Britain's leading grocery chain. I discovered that we both do our supermarket shopping at the same branch of Sainsbury's, the one near Notting Hill. I find this supremely comforting because it strikes me that the ferocity of the price-cutting and the IQ of the staff are likely to be most pronounced in the branch of Sainsbury's round which the man who owns 17 per cent of the shares is wont to push his trolley.

I asked Sainsbury about his public row with Coca-Cola over Sainsbury's look-alike own-label cola. Coke had claimed, crossly, that the look-alike's packaging imitated its own too flatteringly.

Sainsbury was vivaciously unrepentant. "Fifty-five per cent of our [packaged grocery] sales are own-label," he said. "We have always been in the business of finding better-value products than the branded ones. For the first time a cola has been found that is as good as Coca-Cola. That is a new situation for Coke."

And a worrying one, too. Today, every Tom, Dick and Harry has his own cola. To survive, owners of commodity-type brands (not just grocery ones) will have to raise their game. The other morning I was round at Sainsbury's, studying the shelf-space devoted to baked beans. What I saw was a continuing death-struggle between Heinz and Sainsbury's own brand.

Heinz offers a few lacklustre variants, including baked beans with bacon or with eight pork sausages. But nothing remotely hip. Why doesn't Heinz give us baked beans with truffles, or with goose leg?

The president of Heinz is Tony O'Reilly. Next time you see him, ask him what he's *doing*.

Hugo Boss, Germany's leading maker of "upscale" menswear, has a thrusting chief executive: Peter Littmann, 46. Littmann is astute, but he ought to study some of the promotional material pumped out by corporate HQ in Metzingen. It is some of the wackiest stuff imaginable – a terrifying example of what might emerge if you hooked up 10 word processors in your marketing department to 10 word processors in your PR agency and let them get on with it.

Littmann's career has included broadcasting, film-making, carpets, porcelain. In March last year he was made boss of Hugo Boss, and five months later split the Boss range into three distinct brands. They are called HUGO Hugo Boss, BOSS Hugo Boss, and BALDESSARINI Hugo Boss, after the chief designer.

HUGO Hugo Boss is for younger customers; BOSS Hugo Boss focuses on business-wear; and BALDESSARINI Hugo Boss is positioned as a top-flight range of hand-tailored clothes. HUGO Hugo Boss man and BOSS Hugo Boss man are reasonably exotic dudes. But the most exotic dude is BALDESSARINI Hugo Boss man.

According to the word processors, BALDESSARINI Hugo Boss man has "charisma and sovereign ways . . . He is cosmopolitan and conservative, whether he is an executive or a successful artist with a passion for perfection . . . He shows a marked interest in culture; his sports – golf, yachting, hunting – are as distinguished as his lifestyle."

On and on it goes, indefatigably, a mish-mash of images, utterly surreal. They call this *marketing*? Littmann should sprint round HQ and rip all the plugs out. Things need to cool down at Hugo Boss.

BUSINESS TRAVEL

Calls from the air

KLM, the Dutch airline, is installing telephones in every business-class seat of its long-haul Boeing 747s, and on wall-mounted units in tourist class.

The airline will use the Inmarsat satellite network. This permits almost unrestricted calls, as opposed to other carriers which use aircraft-to-ground systems, where calls are possible only within range of a ground station. Calls will cost $9 a minute, with a connection fee of $5.

HK in a jam

In Hong Kong, a daily 10-minute traffic jam could be costing the British colony huge sums, Hang Seng Bank has calculated. "If the time spent in traffic congestion [were] put to productive use, a 10-minute daily delay for each worker would equal 124m working hours for the whole economy," it said. Translated into money terms, this would imply an additional output of HK$18bn ($2.3bn).

Traffic conditions have deteriorated sharply in Hong Kong, with car ownership outstripping road construction. And rapid expansion of trade with China has boosted freight and passenger movements across the border.

Frankfurt terminal

Frankfurt airport, Europe's number one cargo hub and second only to London Heathrow in passenger numbers, opened its new Terminal 2 last week. It hopes to siphon traffic away from crowded Heathrow. "We're expecting around 4m to 5m passengers through Terminal 2 next year," a spokesman said. "It can handle 12m passengers, and can be expanded."

Frankfurt is readying to attract more international passenger and cargo flights as Heathrow and Gatwick, London's other main airport, near saturation. Lufthansa, Germany's national airline, will occupy half of Frankfurt's Terminal 1 together with about 90 minor airlines. About DM500m has been spent updating Lufthansa's facilities, which will also be used by its partners, Thai Airways and United Airlines.

Around 20 international airlines including British Airways, Delta Airlines, Deutsche BA, Japan Airlines and Air France, will move to the new terminal, which will be connected to Terminal 1 via an automatic overhead railway similar to Gatwick's.

Frankfurt has also spent large sums on an underground baggage-handling system.

Bombay chaos

Overcrowding, breakdowns and a shortage of funds have turned rail commuting in and around Bombay into a daily nightmare. The 2,000 trains on Bombay's surburban network trundle nearly 5m people to work each day. Frustration has turned to violence five times in the past four months, with commuters wrecking property.

The authorities plan to use longer trains and phase out level-crossings. But raising funds will be difficult. "We may have to consider approaching the European markets, through the finance ministry, for cheaper funds," said an official.

Acropolis shut again

Visitors hoping for a closer look at the Acropolis in Athens were disappointed yesterday after an unemployed man threatened to commit suicide. The Acropolis has been closed since October 5 because of a guards' strike.

The culture ministry guards, who want higher pay, decided on Friday to open the site for three days after a court ruled their walkout was illegal. They will consider today whether to resume their strike. But police sealed off the monument after a man scaled scaffolding and threatened to jump.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	20	17	20	18	16
Hong Kong	29	29	28	28	28
London	18	14	13	13	12
Frankfurt	18	16	13	13	13
New York	15	15	12	16	17
L. Angeles	24	26	25	25	26
Milan	16	17	15	14	13
Paris	18	14	13	14	12
Zurich	16	16	14	15	12

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Revival of a ghost town

The reconstruction of Beirut is under way, says **John Westbrooke**

After years in the wilderness, Lebanon is starting to put itself back on the map, and it would like the world to notice. This will not be easy. From 1975 to 1990 Lebanon was racked by a civil war involving an array of religious sects and interested neighbours; 200,000 or so people died and 1m fled abroad. And foreigners were targeted: Terry Waite was the best known of many hostages.

The war was not won. It just wound down. But the shooting stopped and the hostages went free. A comprehensive Middle East settlement remains in the future, but Beirut is a city at peace, with much reconstruction to be done.

A $1.8bn company called Solidere was floated this year to rebuild downtown Beirut. It has raised some 95 per cent of its capital from Lebanese at home and abroad, though foreign groups have taken a big share of the contracts. Americans, however, are restrained by a state department ban on Beirut airport.

In the meantime, the core of Beirut is an eerie place. Several blocks near the Place des Martyrs and the Green Line, which divided east and west Beirut, have been cordoned off from traffic. Squatters have been thrown out.

The streets are lined with elegant stone buildings. Though windows and shop-fronts have been blasted away and walls pockmarked by sniper fire, the fabric is sound, for the area was spared the heavy shelling that devastated other parts of town.

Solidere has pulled down 300 of the most damaged buildings – far too many, say critics of its mega-plans to provide marinas, reconstruct vanished souks and create a residential "Levantine village". Next comes a three-year rebuilding of the infrastructure. After that, the remaining buildings will be restored and the inner city brought back to life. Until then, the authorities hope the area will prove a tourist attraction – morbid perhaps, but an authentic modern ghost town.

Though windows and shop-fronts have been blasted away, the fabric is sound

Beyond the downtown area, Beirut is alive and bustling, though there are armed groups of soldiers and military police everywhere, some in tanks. It is by no means clear what they are *for*, and foreigners may feel that their presence makes the city look more of a militarised zone than it really is.

Out in the countryside we heard a rattle of gunfire. "Shooting birds," said our guide firmly. "Wedding celebrations," said someone else's guide, equally firmly. Whatever it was, it wasn't war. Many of the soldiers are Syrian peacekeepers, and there are more images of Syria's President Hafez al-Assad than of Lebanon's own leaders.

At ground level, Beirut – once known for its Riviera-like beauty – is dusty. From the mountains, it looks appallingly polluted, swathed in a dense brown cloud. The main reason is cars: one "statistic" we were given was that there were five for every household. Real post-war Lebanese statistics are almost non-existent, but public transport was one of the institutions wiped out. Everyone drives (hair-raisingly badly) and jams are common. Taxis are cheap, however, and drivers, like everyone else, are happy to charge in US dollars.

Solidere's plans call for the construction of big hotels in town and the restoration of old ones such as the St George's, now a seafront ruin. Meanwhile, there are a dozen or so comfortable upmarket places that offer reasonably prompt telecommunication services. The best are said to be the Coral Beach and Summerland on the water-front, starting at around $160 a night.

Most international cuisines are represented in Beirut, though the most enjoyable is Lebanon's own, based on *mezze* – 20 or more small dishes of different dips, snacks and starters. After dark, some establishments lure customers with "top Bulgarian strip-girls", but those of us who tried clubs found only so-so discos and belly-dancers.

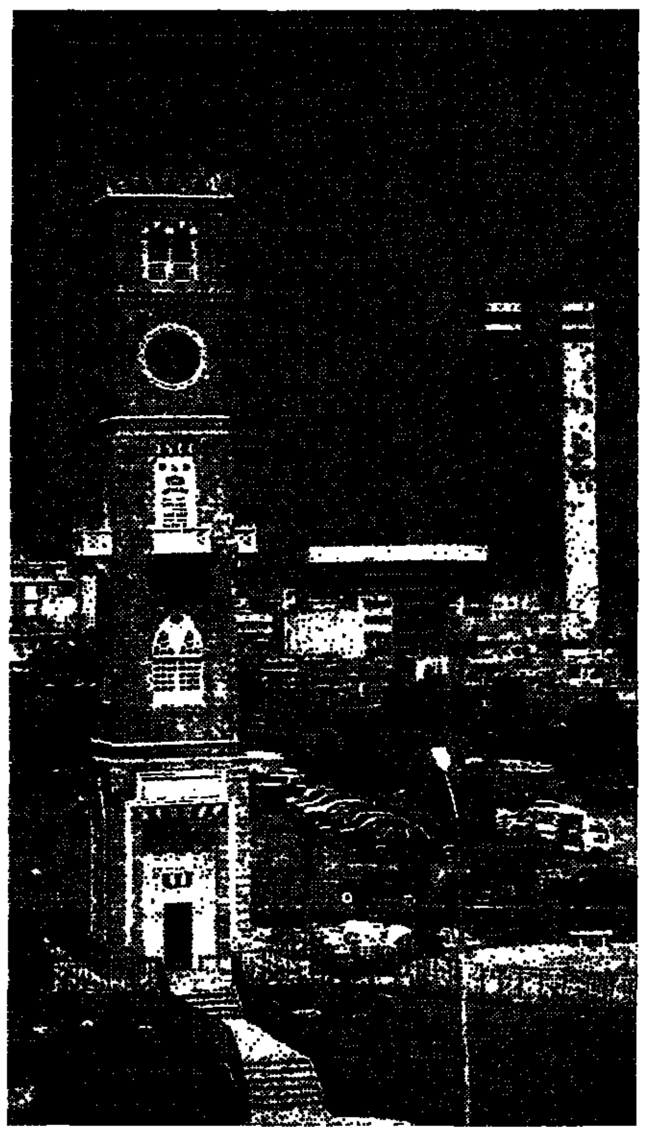
Beirutis themselves seem to spend the evenings ambling along the corniche, chatting and drinking coffee.

Dress codes are unrestrictive (men should wear ties for business meetings, which are apt to start slightly late), and the currency is all in paper, with about L£1,660 to the dollar. Bargaining is widespread.

If you have a spare day, try a trip to Baalbek, 50 miles inland in the lush Bekaa valley, which has magnificent Roman ruins. Those with more time may like to visit the ruins in the 9,000-year-old city of Byblos, the 19th-century palace of Beit Eddine, or the forest of Lebanese cedars at Bsherri near Tripoli.

A new airline, British Mediterranean Airways, has started direct flights from London to Beirut five days a week (not Wednesday or Sunday), with return fares from £399. It joins the thrice-weekly service of Middle East Airlines. Be warned: formalities at Beirut airport can be time-consuming.

See Observer



Helene Rogers

Time moves on: a restored Ottoman clocktower in Beirut

In S Korea, it is better to arrive...

Bridges fall apart. Boats catch fire. Aircraft crash. Trains collide. Ferries capsize. The past year in South Korea has been bad enough to make any traveller nervous. But the frequency of disasters during "Visit Korea Year" is especially grim news, *writes our Travel Staff*.

The collapse of one of Seoul's main river bridges, the Songsu, during the morning rush hour on October 21 killed at least 32 people and cast a shadow over South Korea's reputation as a world leader in construction.

As the embarrassed government expressed contrition for lax safety procedures, a pleasure boat packed with local tourists caught fire on Chungju Lake south of Seoul three days later, killing at least 25.

Yet the combined toll from these two accidents pales in comparison with the numbers killed on the roads during an average long holiday weekend.

The latest accidents have reinforced a widespread impression that travelling anywhere in South Korea – by any type of transport – is exceptionally dangerous.

Ask Yoo O-kun, a bank employee who went to Chungju Lake to recover from the Songsu Bridge nightmare – he lost his closest friend – and ended up helping to rescue people from the burning boat.

"I now reckon there's no safe place in our country," he said. "How could disasters take place in succession like this? I'm too scared to travel now." The boat disaster happened just over a year after a ferry capsized off the west coast, killing 292.

Those who think that train or air travel might be more reassuring are wrong. In August, 160 passengers and crew aboard a Korean Air Lines Airbus had a remarkable escape when it crash-landed in a rainstorm on the southern tourist island of Cheju.

In July last year, 64 were killed when an Asiana Airlines Boeing crashed on the south-west coast. And air force chief General Cho Kun-hae was among six people killed when a helicopter crashed south of Seoul last March.

Two months ago, three were killed and 50 hurt when two express trains collided head on. A driver had ignored a signal. Last March, 79 were killed in a train accident in the southern city of Pusan.

Observers blame lax safety standards, non-enforcement of regulations – and corruption – for many accidents in South Korea.

Korea plans to spend $100bn (£67bn) on infrastructure over the next eight years. However, MPs, the media and engineers warn of more bad accidents to come. The lesson is clear: in South Korea, it is always better to arrive than to travel.

MEDIA FUTURES

SRI denounces superhighway claims

By Raymond Snoddy

SRI International, one of the world's largest research institutes, has denounced the information superhighway as a myth created by media hyperbole, and as too vague and ill-defined a concept on which to make investments.

The sceptical note comes at the end of a $1.4m, two-year study *programme, and as SRI – formerly* the Stanford Research Institute – embarks on a further two-year research programme on digital-video-multimedia.

SRI is also increasingly sceptical about the idea of a significant degree of convergence between the main communication industries, although several major industries are becoming closer through alliances and involvement in each other's markets.

"The notion that the computer, TV, video-game and telecoms industries are likely to merge into one gigantic full-service entity has no support, and much evidence to suggest that the industries will continue to remain separate," *SRI* says.

The organisation, which over the next two years plans large reports on company strategies in the emerging interactive-media and digital-media markets, the latest technology trials, new media business models and market prospects, warns that consumer acceptance and demand for the new services is "highly speculative". It believes that, though the potential for change in digital video technology is vast, the rate of change for most applications will be much slower than expected. The problems range from the fact that most of the required infrastructure will not be in place before the end of the *decade*, a *lack* of agreed standards and that the cost of the technology's initial deployment remains too high.

"A good example is desk-top video-conferencing. The value added to most users in increased productivity is not great enough to warrant spending approximately $3,000 per desk-top," SRI argues.

More than 50 large corporations, ranging from IBM and Sony to Microsoft and Siemans, are sponsoring the SRI research project. With the exception of areas such as education and video games, SRI believes there will be no stampede in the direction of interactivity, and that watching video entertainment will remain a mostly passive activity.

New services will also not only face competition against each other but with existing media. In the face of advanced pay-per-view services and video-on-demand, video rental stores will not disappear "quietly, or quickly" but will probably lower their prices and compete fiercely.

SRI sees "packaged media" in the form of CD-Rom-based video games and video information products at the forefront of emerging new markets. Video CD will also, SRI believes, attain modest success during the next three years, but it will not reach the critical mass in consumer markets necessary to elevate it to the same levels as CD audio or VHS video.

The SRI Digital Video Multimedia programme costs £23,000 to sponsor for two years, including seminars and consultancy. SRI International Europe Menlo Park House, 4 Addiscombe Road, Croydon. CRO 5TT.

Where Packard Bell has the PC edge

Alan Cane on why the Californian company has been so successful in the multimedia revolution

While the battle between International Business Machines and Compaq for leadership of the personal computer business has been hogging the limelight, a hitherto little–known player is threatening to upstage the giants of the multimedia industry.

Packard Bell Electronics, a privately-held Californian PC manufacturer which sells exclusively to home users through retail outlets, crept past IBM in the first six months of this year to take third place, after Compaq and Apple Computer, in the US PC market, and is now fourth – after Compaq, Apple and IBM – in the worldwide market. Its projected 1994 sales are $2.5bn and should be close to $3bn next year, says Beny Alagem, its chief executive.

Beny Alagem: sales should be close to $3bn next year

The significance of that rate of progress should not be under-estimated. Compaq, Apple and IBM are the "premier league" PC makers, pioneers of the industry and owners of the most prestigious brand names in the business. But who goes out purposely to buy a Packard Bell?

Packard Bell Electronics was founded in 1926 as a radio manufacturer and has no connection to Hewlett Packard, the US electronics giant, or to the Bell telecommunications companies. Nevertheless, it seems to have got two elements of the multimedia revolution right.

First, multimedia services are likely to be delivered to the home through PCs rather than TV sets. A report this week on multimedia in European homes from the research company Inteco notes: "One of the most striking conclusions to be thrown up is that the PC rather than the TV set will be the likely focus for multimedia services in the home... a whole range of multimedia-related equipment and activities are concentrated in the same type of households, and PC buying is concentrated in these same busy households."

This year, as many computers will be sold for use in the home in the US as for use in business. Packard Bell has a 41 per cent share of mass retail sales in the US, ahead of IBM (13 per cent) and Apple (9 per cent). The implication is that in the US, at any rate, multimedia services are more likely than not to be delivered to the home on Packard Bell machines.

The company's own corporate goals include "making the PC the centrepiece of the home", "implementing the most efficient manufacturing model in the industry so every one can afford a PC" and "having at least one Packard Bell PC in every home".

Second, ease of use and maintenance is a critical factor in the home market. Even IBM has been forced to this conclusion. "The PC industry has done a brilliant job of innovation and technology," said G Richard Thoman, head of IBM's PC operations, last month, when introducing a new, simplified PC range. "But in the process we have lost touch with the majority of customers who are all dazed and confused by the complexity in the technology, the array of choices, and the level of support."

Packard Bell claims to have been the first manufacturer to sell systems complete with a hard disc and pre-loaded software, and the first manufacturer to build in a CD-Rom drive, creating a multimedia packaged system. It also claims to be the first PC manufacturer to introduce on-site maintenance to the home.

It calls its latest family of systems "home appliances". Packaged in a single cabinet is a multimedia PC which doubles as a compact disc player, a stereo system, a TV and video player, a telephone-answering system and facsimile machine, complete with modem for attachment to the telephone network. All this for between £1,499 and £1,999.

The Packard Bell machines are designed to look good in the home. But more important is Navigator software developed by Packard Bell to make using its computers easier. Navigator is based on pictures and operates by interacting with Windows, Microsoft's graphical interface. Beny Alagem makes it clear, however, that although users need never go into Windows, Navigator is not a replacement for the Microsoft product.

There are various ways to use Navigator. One method starts with a view of a hallway with rooms leading off it. As the cursor is passed over the doorways, the rooms are illuminated as if a light has been turned on. The rooms represent the learning centre full of tutorials and demonstrations; the workspace, a management system for applications and documents; a software area for all the programs available; and a suite of games called Kidspace. Next year the company will offer special software that makes it simple for home users to log on to the Internet, the world's largest computer network.

Before its leap into the top tier of PC makers, Packard Bell attracted attention through a deal last year with Groupe Bull, the French government-owned computer manufacturer struggling to return to profitability after several years of losses. The French company took a 20 per cent stake in Packard Bell to seal an accord through which the US company would have access to Bull's PC technology, while Bull would have the benefit of Packard Bell's experience in selling in volume through low-cost retail channels (Groupe Bull's PC arm, Zenith Data Systems, was a pioneer in portable computing).

According to Alagem, the relationship is working well. The company is opening a new manufacturing facility at Angers in France, where Bull makes printed circuit boards and other PC components.

Nobody can say with certainty that Packard Bell's future is assured. Many companies in the PC business have experienced false dawns. And the home market is quirky and unpredictable. But what Packard Bell has achieved so far suggests that as multimedia expands into the home, a Packard Bell machine is likely to be at the end of the information superhighway.

US cable groups push into telecoms

By Victoria Griffith

US cable companies are resisting the Federal Communication Commission's (FCC) ruling allowing local telephone groups into the cable business, by mounting their own bids to break into telecommunications.

Last week, cable group Time Warner applied for state permission to enter the local telephone business in Ohio. A day earlier, TCI, Cox and Comcast announced the formation of a joint venture with long-distance carrier Sprint to offer local and long-distance services, wireless communications and cable in a single package to consumers.

These forays will eventually result in the complete breakdown of barriers between the two industries, analysts predict. "In the long-term, cable will compete with the local exchanges and vice-versa," says Berge Ayvazian, senior vice-president of Yankee Group. "These companies are wise to position themselves to act quickly once the barriers come down."

Earlier this month, the FCC's "video dial tone" ruling paved the way for local telephone companies to build the infrastructure for cable services. Long-distance providers like AT&T, Sprint and MCI do not benefit from the ruling, since they do not provide wiring to houses and businesses.

However, the ruling did impose restrictions on local telephone groups' adventures in cable. Although the companies are allowed to establish facilities for video signals, they are so far forbidden from sending videos down those lines. Even so, the ruling was enough to rile the cable and long-distance sectors.

"It's very possible that local telephone customers will end up paying higher rates to finance a new video infrastructure", says Lisa Meredith, spokesperson for the National Cable Association.

But the FCC and local telephone groups insist federal and state scrutiny of rates will prevent this from happening.

The Rochester telephone company, re-named Frontier earlier this year, will soon become the first to face competition in its market. In January, Time Warner will offer residents in the up-state New York region an alternative service. The success of that experiment will probably help determine the speed with which cable companies gain access to other areas. Most states now guarantee a monopoly for the Baby Bell groups which split off from AT&T in the 1980s.

Cable wires are generally set up to send one-way signals to households, and are not easily adaptable to two-way telephone signals. Time Warner will try to resolve the problem in Rochester by putting a telephone box to convert the signals next to the cable box in customers' homes. The new Sprint, TCI, Cox and Comcast venture will try a more direct route, aiming to provide a wireless service to consumers.

The sudden burst of activity in the cable-telephone cross-over has sparked renewed calls for sweeping Congressional legislation. "This cannot and should not be settled on a case-by-case basis, depending on what individual states decide," says Donna Lampert, special counsel for legislation and policy at the FCC. "We need comprehensive federal legislation."

The FCC, for its part, can only interpret existing laws governing the sector. A nearly successful push for a telephone-cable bill was squashed by the local telephone companies earlier this year and observers are sceptical that the 1995 Congressional session will produce any new legislation on the issue. Meantime, telephone and cable companies will continue to test the limits of their involvement in each other's business.

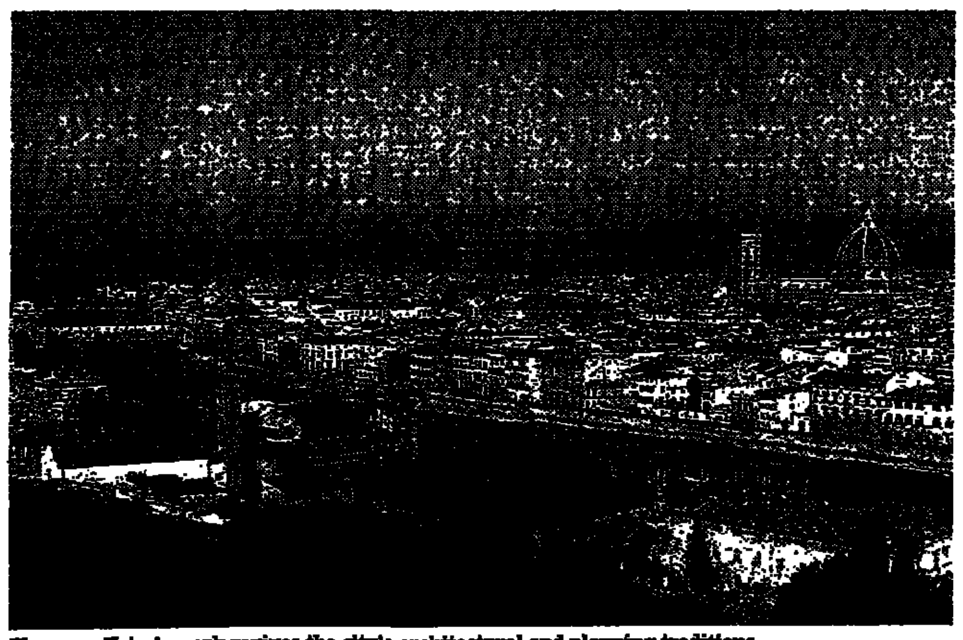
ARCHITECTURE

David and the car goliath

Colin Amery outlines Florentine designs for a second renaissance

When I think of Florence, I still think of the Flood. On November 4, 1966 the River Arno burst its banks and threatened – indeed destroyed – some of the finest art treasures and buildings of the Italian Renaissance.

In recent years Florence has been threatened and damaged by less obvious but equally damaging floods, those of cars and tourists. Any summer visitor to the city will know that it is now impossible to see through the barricade of backpacks and shorts to the pictures on the walls of the Uffizi gallery. It is impossible to penetrate the city centre by car during the day, and there is no chance of a photograph of a Florentine architectural masterpiece without a foreground of massed cars.



Florence: Krier's work revives the city's architectural and planning traditions

However, in London at present you can see exactly what the authorities of Florence are planning to do for their troubled city in the next decade. Their plans are on show at the Italian Institute in Belgrave Square until November 25 (Mondays to Fridays, 10am-5pm).

The problems of Florence are common to many historic towns and cities of Europe, and it seems fitting to look to the city that produced Dante, Giotto, Michelangelo, Leonardo, Galileo and Brunelleschi to see if it can now produce the right answers for the 21st century.

For a start there is honesty in the admission of the Florentine authorities that the last 30 years have been ones of inactivity, indecision and internecine fighting between the city centre, the shopkeepers, the hotel owners and the ill-planned suburbs. This constant struggle has been enlivened by the daily arrival of 80,000 cars, as well as the annual arrival of 7m tourists.

When he spoke in London last week, Alfredo Franchini, Florence's councillor for urban planning, announced the city's approval of a completely new master-plan, produced by Marcello Vittorini. Franchini showed a touching faith in rationalism and in planning itself. But it is important to realise that the master-plan is not a ruthless grid of geometry thrown over a dying city. In fact, studied carefully, the Vittorini plan is a gentle adoption of many of the qualities that have made cities work in the past.

He appears to believe, thank heaven, in the value of mixed development.

All the best cities in the world are an effective mix of homes, workplaces and cultural and leisure activities. The idea of strict zoning has long been discredited.

Urban qualities are hard to define, but we recognise them when we see them. With its remarkable skyline and carefully controlled scale within the surrounding hills, the centre of Florence both works and is beautiful.

But it has a declining population. Only 400,000 people live in the centre, and the prediction is that numbers will continue to decline. The problem is to make historic centres attractive to residents as well as to tourists.

Two important influences are already changing Florence, and there are vital lessons here for London and other declining cities. Alarm at the level of atmospheric pollution forced the passing of a law to ban cars that are not fitted with catalytic converters or carrying fewer than three people from the city centre. Second, realising the inevitability of some cars, Florence has embarked on the expensive but necessary provision of underground car parks.

The most significant changes in the city are likely to be in an area largely owned by Fiat, known as Novoli, to the north-west of the historic centre. Under the master-plan it is proposed to devolve many of the city's essential services – town halls, libraries, smaller museums, banks and sports centres – to five new "boroughs". Novoli will be one of these, and the fact that a large part of it is in the single ownership of Fiat – it was once a large components factory – has eased the planning process.

The Fiat-Novoli plan has been prepared by the influential urbanist Leon Krier, who has planned a large area, about 1,000 acres, dividing it into 14 urban sections. Each of these sections will feature a rich mixture of uses, and will regenerate in an imaginative way the run-down high-rise housing and demolish much of the disastrous detritus of the 1960s.

As the centrepiece of the redevelopment, the plans show a 30-acre park and some 90 acres of new buildings. Wisely it includes major new public buildings for the university and the courts of justice.

Krier's work for Florence, which the city authorities believe has a touch of genius about it, revives the architectural and planning traditions of Florence, for each of the 14 sections will have a central *piazza*. The ground and first floors of all new buildings will be given over to shops and commercial uses, and residential premises will be on the upper floors.

Comprehensive building codes set out the guidelines for the city. No ordinary buildings should be higher than four storeys, and the use of stone is to be encouraged for the ground floors and for the entire façades of the more monumental public buildings. Fiat is an enlightened client, and it has instructed the Turin-based architects Gabetti and Isola to turn the plan and the codes into real buildings.

There is a sense of excitement and creativity about these plans, and they have won international support. If they are followed comprehensively there is a real chance that Florence will achieve a second renaissance that will make it a city for the 21st century that respects its finest architectural traditions. Once again Florence has become a city to watch.

● *The Accademia Italiana has organised a public conference on the Florence plan in London on November 23. Tickets and details, tel: 071-235 0303.*

PEOPLE

More rooms at the Inns

As the world's biggest hotel company continues its breakneck expansion, president **Michael Leven** tells **Michael Skapinker** that he will match quality to quantity

When Michael Leven joined Holiday Inn in 1990, he engaged the services of an Atlanta-based British woman who teaches Americans how to deal with UK companies.

Holiday Inn had recently been taken over by Bass, the UK brewer, and Leven, who grew up in Boston, was worried about committing some indiscretion. "Americans are scared to death of doing the wrong thing," he says.

His memories of what the consultant taught him are hazy. But whatever it was, it seems to have worked. Earlier this month, Leven, 56, was promoted from head of the Americas division to president and chief operating officer of Holiday Inn Worldwide, giving him responsibility for the day-to-day running of the world's biggest hotel company.

Over the past two years, Holiday Inn, which has more than 1,900 hotels, has been opening new properties at the rate of one every two days. It plans to have 3,000 by the end of 1998.

Much of the expansion will be abroad. Hotels outside the Americas currently provide Holiday Inn with 10 per cent of its profits, but Leven wants to see that rise to 33 per cent over the next four years.

His anxiety about running an international, UK-owned business has disappeared, although he has made some adjustments to style. One of the things he does remember his consultant telling him was that UK companies were more formal than American ones.

"She said that I had to remember that most British business people think that Americans shoot from the hip. She was right. That was very helpful. When I wanted to do something I made sure I had all the documentation."

Leven says Bass has become less formal in the four years he has been there. In the beginning, however, he was struck by the manner in which Bryan Langton, Holiday Inn's British chairman and chief executive, conducted meetings.

Langton began by noting the apologies, a procedure which was new to Leven. He says: "In the States, if a guy doesn't show up, he doesn't show up."

Other than that, he thinks the problems of working across national boundaries have been exaggerated. "People have made doing business internationally into a mystique. It's easy when things aren't going right to make the excuse that it's because the people are different. Oftentimes, things don't go right when people aren't different."

Everyone, he says, has been asking how he and Langton, who remains chairman and chief executive, are going to divide duties between them. Bass says Langton, 57, will focus on strategic issues, while Leven takes responsibility for hotel operations and sales.

Leven says that companies often want their two top executives to have different skills: for one to be strong in finance, for example, and the other in marketing. In the case of Langton and Leven this is not so.

They have similar backgrounds having specialised in the operational side of the business. And their personalities are not dissimilar; both are accomplished raconteurs.

Leven says: "It's not the usual balance between the chief executive officer and the chief operating officer. But the real advantage I have working with Bryan is that he understands Bass and how to move through it."

Before joining Holiday Inn, Leven spent five years as president of the US chain Days Inn. He has spent his entire working life in the hotel industry, except for nine months in the late 1960s when he was employed at the Practising Law Institute in New York.

His job there was to make hotel bookings for the institute's meetings. He was appalled by what he saw. "I got to understand what a hotel was like from the customer's point of view. I learned how badly customers were treated."

Leven has also had a taste of life as a Holiday Inn franchise holder. While he was working as head of operations for a company which ran a Holiday Inn under a franchise agreement, there was a disagreement on how much to spend on refurbishing a hotel. Leven suffered the indignity of being thrown out of the system.

It is something he has done to many other hotel owners since. The company only owns about 10 per cent of the hotels that carry its name. The rest are run by franchise-holders. Bass found that many were run down, particularly in the US, and that the Holiday Inn name had been badly damaged as a result.

Veterans in the company found it difficult to accept that this had happened. Holiday Inn had been launched in 1952 with the specific intention of providing travellers with a guaranteed level of quality and no unpleasant surprises. Kemmons Wilson, its founder, built the first Holiday Inn in Memphis, Tennessee, after deciding that there had to be something better than the appalling hotels he had encountered on his travels round the US.

Langton moved the company's headquarters from Memphis to Atlanta and cut headquarters staff from 2,450 to 1,000.

Leven's first job at Holiday Inn was to raise the franchised hotels' standards. It is a task he says is not yet complete. "I am not happy with a piece of the chain where the quality and service standards are still behind what they should be," he says.

Leven estimates that about 15 per cent of Holiday Inns in the Americas still have unsatisfactory standards. He would be happier if the figure fell to 5 per cent – which he says should happen by the beginning of 1997.

He insists, however, that much has been done to rescue the name since the Bass takeover. Of the 1,600 Holiday Inns in the Americas, almost 1,000 have been fully refurbished.

But how will Holiday Inn maintain standards if it expands as rapidly as it says it will? Over the past two years, the company has signed joint venture agreements with local partners to open 30 hotels in Indonesia, 47 in Thailand, 70 in India and 11 in Nepal.

It will also manage two luxury cruise ships in China. Over the next five years, franchisees and joint venture partners will build 60 hotels in Europe. Leven says: "We don't have quality problems with the hotels we open. It's the older ones that have problems."

The question that intrigues analysts in the leisure industry is whether, if the expansion goes smoothly, Leven's reward will be the chairmanship when Langton retires.

But the difficulty here is that executive directors on the Bass board have to leave at 60; though US Holiday Inn employees can continue until 65, Leven is only a year younger than Langton and would be near the board age limit when Langton retires.

Bass insists that nothing should be read into Leven's promotion except that he has a job to do. Leven concedes that if he fails to meet Holiday Inn's targets, that sort of conjecture would be irrelevant anyway.

NAMES IN THE NEWS

Cosmopolitan adviser at Daimler

All change at Daimler-Benz, Germany's largest company, where Edzard Reuter steps down next May to be supplanted as chief executive by the boss of the aerospace division Jürgen Schrempp, writes Katharine Campbell. As Schrempp assembles his own, younger, team, the chief financial officer, 62-year-old Gerhard Liener, moves off the board in order to become the new broom's principal adviser on international affairs.

The assignment is not inappropriate for the man once tipped to run the colossus himself. His role in teaching the local Swabians to think internationally has been seminal. The product himself of a solidly international background, Liener (below) studied extensively outside Germany, lived in Chile in the early 1960s before he joined Daimler, and has travelled very widely since. He is, for instance, honorary Mexican consul for the State of Baden Württemberg.

The brains behind the co-operation with Mitsubishi, and fluent in English, Spanish and French, he masterminded last year's New York Stock Exchange listing. He is also the progenitor in the last couple of years of the company's move towards global sourcing.

Now that Liener is relegated to an advisory role, however, who will pipe up at board level to ensure the company continues its fight against provincialism? Instead of looking outside, perhaps for a non-German, the supervisory board is expected to confirm in the position Manfred Gentz, a 42-year-old lawyer who has spent his working life at Daimler in seemingly solidly domestic jobs. While he has run Debis, the service and computer software subsidiary, for the past four years, the company is unforthcoming on the subject of Gentz's linguistic abilities.

No firing over Japan's smoke?

If heads are to roll because of the flop last week of the Japan Tobacco flotation, then Jiro Saito, vice minister of the Ministry of Finance, is vulnerable. Regarded as the ultimate ministry of finance bureaucrat – shrewd and arrogant backed by astuteness and power – Saito is not known for apologising, writes Emiko Terazono.

All he has said is that he regrets the way the flotation turned out. However, that may not be enough to mollify Japanese brokers unhappy over its handling at a time when average daily trading volume on the Tokyo stock market remains below 300m shares. With demand for stocks still fragile, they feared that extra supply would depress investor confidence.

Saito has also come in for criticism over the method used for pricing the public offering. Rather than going through the "book building" process used in other leading financial markets, the ministry of finance offered the stock at the mid price of a pre-offer auction. Both Japanese and foreign brokerages felt frustrated; they could see the ministry ignoring their claims that the flaws of the method echoed those in the last year's failed privatisation of the East *Japan Railway*.

Saito says that his ministry would "humbly listen to opinions from the outside" about future privatisations. This sort of statement may be enough to curb calls for his head. But if UK and North American investors had seen the value of their investment drop by 23.5 per cent in its first day's trading, they would not have let the man from the ministry get off so lightly.

ISS goes for a local clean-up

ISS International Service Systems, the Danish office cleaning group, has hired a local man to head its North American division, the market leader in the US cleaning business, writes Hilary Barnes.

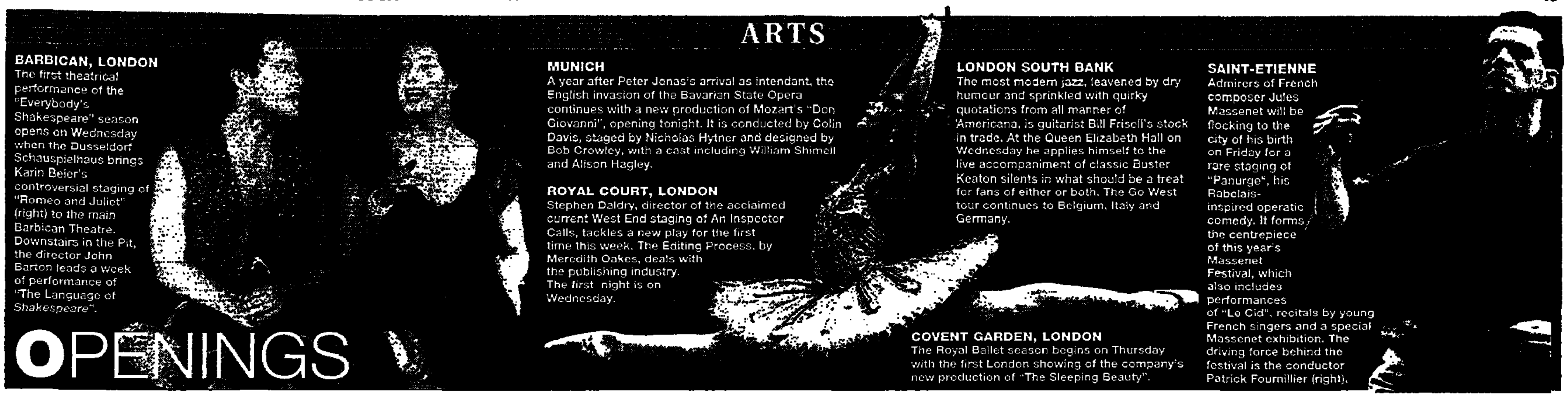
Dennis Spina, 50, president and chief executive of Suburban Propane, the second largest retail distributor of propane gas in the US, has replaced Henrik Slipsager. Slipsager quit after he was passed over this summer in the battle to succeed the group's veteran chief executive, Poul Andreassen, when he retires in 1996.

Spina's arrival at ISS coincides with the Danish firm's decision to get its shares listed on the New York Stock Exchange and raise $80m of new capital. ISS's profits have grown rapidly over the past four years and North America now accounts for 44 per cent of the group's revenues. Roughly 45,000 of ISS's 120,000 employees are based in North America.

Suburban Propane is part of Hanson Industries which acquired it when the UK conglomerate took over Quantum Chemical in September 1993. Spina is being replaced by the group's chief financial officer Salvatore Quadrino. Quadrino, 47, will be based in Whippany, New Jersey.

■ William Crosby, 73, one of the grand old men of the US life insurance industry, is stepping down after 27 years as chief executive of US Life, the New York-based insurance company which has $132bn of life insurance in force. Crosby, who entered the life insurance industry immediately after he was discharged from the US Navy, started in business as an insurance agent in Tennessee before moving to New York where he helped set up the *state's first life company*.

William Simpson, 55, who was chief operating officer of Transamerica Occidental Life before he joined US Life in 1990, takes over as chief executive on January 1. Crosby will continue as chairman of the board and the executive committee.



The truth behind Wonderland

Jackie Wullschlager explores the dark side of Lewis Carroll as a new play opens in London

A hundred years ago, an Oxford don asked a mother if he might photograph her three daughters. "What I like best of all," he wrote, "is to have *two* hours of leisure time before me, *one* child to photograph and *no* restrictions as to costume... I trust you will let me do some pictures of Janet naked [but, if the worst comes to the worst, and you won't concede any nudities, I think you ought to allow *all three* to be done in bathing drawers, to make up for my disappointment]."

This was Lewis Carroll, a respected academic, addressing the prim wife of another Oxford fellow. Was the famous children's writer a Victorian innocent, or was he a 19th-century Humbert Humbert, driven by forbidden desires, drawing the guileless into his web?

Tomorrow, *Alice's Adventures Under Ground*, a new play about the darker side of the great storyteller, *opens at the National Theatre*. Written by Christopher Hampton, author of the successful 1980s drama *Les Liaisons Dangereuses*, and directed by the radical choreographer Martha Clarke, it is based on intimate letters and diaries and fixes on Carroll's own dangerous liaisons with little girls.

This is the most sensational aspect of Carroll's life. Biographers have always fought shy of it, while passages in Carroll's diary casting light on the troubled side of such friendships were altered or torn out after his death. But it is an issue which not only lies at the heart of the creation of the *Alice* books. It also raises topical questions about what makes adults write children's books at all, and about how adult fantasies mould a society's vision of childhood, and so condition children's rights and lives.

Carroll grew up in the 1830s, when the Victorian cult of childhood was beginning to grip the nation. It was an English phenomenon – compare the simpering innocence of Dickens's girl heroines, or Tess of the d'Urbervilles, or Little Buttercup with their worldly European counterparts like Madame Bovary, Anna Karenina, Carmen – and it was rooted in Victorian repression of sex.

This made pre-sexual girls an obvious focus. Many famous Victorians fell for them – Ruskin wrote love letters to a nine-year-old, the vicar-diarist Francis Kilvert rhapsodised about girlish thighs and buttocks, and Lewis Carroll was fixated with little Alice Liddell.

In our post-Freudian age, the sexual undercurrents seem blatant and these friendships unhealthy. The truth was more ambiguous. A man like Carroll loved children instead of women because they were safely pure and thus sexually undemanding. He found in them a focus for emotional satisfaction which never threatened his ideal of chastity. His love probably had something of the sexual frisson of a schoolgirl crush; it fuelled the imagination but was never meant to be realised.

Carroll turned his obsession into a new form of literature. For Alice Liddell, he wrote *Alice's Adventures in Wonderland*, and gave it to her for Christmas 1865. It was a hit in the nursery because it was funny, amoral and dismissive of adults. It was a hit with parents because it *recreated the lost imagination of* childhood. These two features made it the first children's classic. Its mix of subversion and nostalgia has shaped every children's book written since.

Carroll was a stuttering bachelor mathematician whom a buttoned-up society pushed into real eccentricity. He was thin as a stick and stiff as a poker, he said and ate little, and listed his faults as "indulging in sleep in the evening". He fled instantly from any gathering where his children's books were mentioned, yet spent several weeks a year on the beach at Eastbourne, carrying a supply of safety pins with which to persuade pre-pubescent girls to hitch up their skirts and paddle in the sea.

Carroll disciplined his emotional self into non-existence, then poured his vengeful frustration into fantasy. The Alice books, where an untouchable little girl keeps aloof from the threats of sensuous, violent, uncontrollable figures like the Queen of Hearts and the Mad Hatter, depend on a distaste for sexuality. The dream of the Wonderland garden suggests a guilt-free Eden before the Fall.

After Carroll, these echoes began to sound through children's books and give the genre its mythic, lasting appeal. By the 1900s Freudian undertones came close to the surface. Peter Pan is about the triumph of a sexless boy over the masculine, virile Captain Hook, marked by the phallic symbols of twitching iron hook and fat cigar. Barrie, too, liked children, not women; his marriage was unconsumated and his Neverland, where no one grows up, is another prelapsarian wonderland. So is the riverbank of *The Wind in the Willows*: Kenneth Grahame told president Roosevelt that the book was "clean of the clash of sex".

Alice Liddell photographed by Lewis Carroll: a celebration of Victorian innocence or forbidden desires?

By the 1950s, the cult of children was being replaced by the cult of adolescence, but Carroll's Victorian idealisation of childhood still held sway. A novel like *Lolita* is a teenage descendant of *Alice* in the aura of innocence surrounding the abused heroine, in the surreal wonderland of American highways and motels, in Nabokov's wordplay.

After the Bible and Shakespeare, Carroll is the most quoted author in English. His letters to little girls are little-known, but their liquid flow of emotion and badgering sentiment – "I send you seven kisses, to last a week"; "Haven't I a right to be affectionate if I like?" – complement the rigour of *Alice*. They suggest the link between adult fantasies and fears, and great children's writing.

Martha Clarke has long specialised in evoking the world of fantasy, and theatre, which can more effectively win sympathy for different perspectives, is perhaps a better place than biography to explore this touchy side to Carroll's story.

In *Les Liaisons Dangereuses*, Hampton staged a historical reconstruction which also reflected the pleasure-seeking, 1980s me-generation. *Alice's Adventures Under Ground* – Carroll's original title, rejected because it sounded like "a lesson book about mines" – is just right for the self-doubting, child-obsessed politically correct 1990s. It should provoke, as *Liaisons* did, literary, historical and social debate.

**Jackie Wullschlager's book "Inventing Wonderland", about the lives of Lewis Carroll and Kenneth Grahame, will be published by Methuen next spring.*

Opera / Roméo et Juliette

A night off for the intellect

Writing in this paper the week before last, the Director of the Royal Opera put up a spirited defence of the company's new *Ring* cycle. Among his arguments was the need for variety in a healthy opera company, the immediate instance at Covent Garden being the juxtaposition of that *Ring* with an imminent new production of *Roméo et Juliette*.

The Gounod has now arrived. And different it certainly is. Whereas the *Ring* set minds whirling on a wild roundabout of ideas, rousing its audiences to cheers of enthusiasm and outraged booing, this miserably unimaginative production of a far from probing opera gives the thinking opera-goer's intellect the night off. To spend time and money on this *Roméo et Juliette* one needs a good reason and the Royal Opera – fortunately – musters two.

They are a Romeo and a Juliet who look as if they were born to play their roles. A wicked photo in the programme reminds us of how things used to be, capturing Gounod's original Juliet, Marie Caroline Carvalho, looking portly and frumpish, "posing a problem for the corset manufacturers" as the caption naughtily describes her. At a time when even politicians are expected to have telegenic appeal, that is clearly no longer good enough. *Today's Romeo is the young and* personable Roberto Alagna, who made such a fine impression in *La Bohème* two years ago.

For a tenor born in France of Sicilian parents, this opera, combining a passionate Italian love story with music of Gallic elegance, would seem to be the ideal choice. Alagna declares his challenge to Tybalt with steel in the voice, and wraps his farewell to Juliet softly in whispers. Forceful but tender, his Romeo is a vivid personality vocally, even if his acting is vague.

At the balcony window he is answered by the touchingly fragile, dark-eyed Juliet of Leontina Vaduva. As we know from her previous appearances at Covent Garden, Vaduva is a singer who paces herself carefully. This means that the early scenes are tentatively sung, the famous Waltz Song, beloved by Melba, barely getting into its stride. But taking Friar Laurence's potion stimulates her to give more from there to the end – a stylish performance, if less securely in her voice than the recent Manon.

It is fortunate that they make the balcony scene so believable, as neither Gounod nor the production does much to help. Turning Shakespeare into opera is work for a genius, as the only two indisputable successes (both of them by Verdi) show.

It is almost painful to think back to the poetry that Shakespeare puts into Romeo's mouth as he gazes up at Juliet and then compare that to Gounod's prosaic music, which turns a literary marvel into workaday crotchets and quavers.

Interviewed on television last week about his new opera at Glyndebourne, Harrison Birtwistle said he did not believe in just setting a story to music. In *Roméo et Juliette*, Gounod offers some memorable numbers – the two well-known arias and the Act 4 sunrise duet – but they are purple passages in an opera which takes simply telling the story as its highest objective.

All of Shakespeare's main characters are here. Sarah Walker manages to suggest something of the Nurse's fussiness, though Gounod leaves little of her character intact. Despite having to wear a tonsure that looks like a tea cosy, Robert Lloyd has the quietly-spoken authority for Friar Laurence. Anna Maria Panzarella makes a bright interlude of her little scene as Stéphano. François le Roux's Mercutio, elegant and dynamic, is in his vocal prime and. Paul Charles Clarke makes a fearsome Tybalt. The fight scenes have splendid dash under Charles Mackerras, who remains as vivid an opera conductor in all repertoire as ever.

Whichever way one looks at the set – as colour, as shape, as acting space – it is devoid of imagination and atmosphere

As for the production, what can one say? When English National Opera put on *Roméo et Juliette* they cannibalised an old set for Britten's Queen Elizabeth I opera, *Gloriana* (right for Shakespeare, if not 14th-century Verona). But even that looked better than what the Royal Opera has acquired here. A few building blocks, miserably lit, have to serve as monastery, palace and piazza. Whichever way one looks at them – as colour, as shape, as acting spaces – they are devoid of imagination and atmosphere.

This non-production, by producer Nicolas Joël and designer Carlo Tommasi, originated in Toulouse. At a time when the UK still has a trade deficit with France, it was hardly a sensible import.

Richard Fairman

Production sponsored by Goldman Sachs. Performance continue until November 17

INTERNATIONAL
ARTS GUIDE

■ BERLIN

OPERA/DANCE
Staatsoper unter den Linden The main event this week is the first night on Sat of the new Daniel Barenboim-Harry Kupfer production of Siegfried, with cast headed by Siegfried Jerusalem, Falk Struckmann, Graham Clark and Deborah Polaski (repeated Nov 9, 16 and 20). Repertory also includes Telemann's Orpheus and Tosca starring Suzanne Murphy, Sergei Larin and Sherrill Milnes. René Jacobs conducts the Akademie für Alte Musik and RIAS Chamber Chorus in tomorrow's concert devoted to Bach cantatas (200 4762/2035 4494)
Deutsche Oper Hermann Prey gives a song recital on Wed. Repertory over the following 10 days includes a Balanchine evening, Aida, Der fliegende Holländer and Die Zauberflöte. A new production of Poulenc's Dialogues des Carmélites opens on Nov 12 (341 0249)
CONCERTS
Philharmonie Tomorrow and Wed: Glenn Miller Orchestra. Tomorrow (Kammermusiksaal): Freiburg Baroque Orchestra plays Bach and Vivaldi. Sat: Haydn's Creation. Next Mon: Daniel Barenboim conducts chamber version of Mahler's Das Lied von der Erde. The next Berlin Philharmonic concerts are on Nov 9, 10 and 11 (2548 8132)
Schauspielhaus Thurs: Estonian Philharmonic Chamber Chorus in music by Pärt, Kokkonen and Ligeti. Fri: Paavo Järvi conducts Berlin Radio Orchestra and Chorus in symphonies by Tubin and Sibelius. Sun: Andras Ligeti conducts Berlin Symphony Orchestra in Bartok, Tamberg, Kurtag and Sibelius (2090 2156)

■ NEW YORK

THEATRE
- Uncommon Women And Others: a revival of Wendy Wasserstein's play about friends at a small New England women's college, who meet for tea and then for a reunion six years later. Just opened (Lucille Lortel, 121 Christopher St, 239 6200)
- Three Tall Women: a poetic play by Edward Albee, dominated by the huge performance of Myra Carter. She, Jordan Baker and the droll Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 76th St, 239 6200)
- Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
- A Cheever Evening: A.R. Gurney's play intertwines elements from 18 stories by John Cheever to create a new work, paying homage to one of his influences while showing Cheever's work in a new light (Playwrights Horizons, 416 West 42nd St, 279 4200)
- An Inspector Calls: J.B. Priestley's 1945 mystery in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200)
- Show Boat: Harold Prince's new production of the 1927 Jerome Kern/Oscar Hammerstein musical is the first show on Broadway to cost $75 a ticket. It is a huge hit which will run and run - but in her FT review, Karen Fricker said that despite its musical excellence, the production was emotionally empty (Gershwin, 51st St west of Broadway, 307 4100)
- Jelly Rolll: Vernel Bagneris stars in a musical show about jazz legend Jelly Roll Morton (47th Street Theatre, 304 West 47th St, 265 1086)
- Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)
- Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches the 1945 Rodgers and Hammerstein musical towards the 21st century (Vivian Beaumont, 150 West 65th St, 239 6200)
- Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over the title role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)
- Blood Brothers: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carole King (Music Box, 239 West 45th St, 239 6200)
- Stomp: a loud, aggressive and energetic show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 6th and 7th Streets, 307 4100)

OPERA
Metropolitan Opera This week's repertory consists of Tosca tonight and Fri with Ghena Dimitrova and Luciano Pavarotti, Le nozze di Figaro tomorrow and Sat with Bryn Terfel and Dawn Upshaw, Cav and Pag on Wed with Vladimir Atlantov as Canio, and Arabella on Thurs with Kiri te Kanawa and Marie McLaughlin. The first new production of the season is Shostakovich's Lady Macbeth of Mtsensk, opening Nov 10 (362 6000)
State Theater New York City Opera's autumn season runs till Nov 20. This week's performances, daily from Wed till Sun, feature La boheme, Mefistofele, Il barbiere di Siviglia and Die Zauberflöte (870 5570)
DANCE
New York City Ballet's winter season runs from Nov 22 to Feb 26 at New York State Theater. The opening night gala will be followed by a week of repertory performances. (307 4100/870 5570)
CONCERTS
Carnegie Hall Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra tonight in works by Webern, Beethoven and Brahms, with piano soloist Rudolf Buchbinder. Alicia de Larrocha gives a piano recital on Wed (247 7800)
Avery Fisher Hall This week's New York Philharmonic concerts are conducted by Leonard Slatkin and Charles Dutoit. In tomorrow's programme, Slatkin conducts Kernis, Dvorak and Strauss, with violin soloist Pamela Frank. On Thurs, Fri, Sat and next Tues, Dutoit conducts Prokofiev, Ravel and Respighi, with violin soloist Glenn Dicterow (875 5030)
Alice Tully Hall The Borodin Quartet's cycle of Shostakovich string quartets continues on Nov 2, 13, 16 and 20 (875 5050)
JAZZ/CABARET
Algonquin Hotel Weslia Whitfield brings her droll wit and agile voice to bear on two shows, including songs by Rodgers and Berlin (59 West 44th St, 840 6800)
Cafe Carlyle The incomparable Bobby Short continues to hone respectful but incisive takes on every standard under the sun (35 East 76th St, 570 7189)
Michael's Pub Singer Hadda Brooks celebrates her first album in 40 years Tues-Sat, while Woody Allen's Ragtime Orchestra holds forth as usual on Mon (211 East 55th St, 758 2272)

■ PARIS

DANCE
- The opening production of the Paris Opéra Ballet's 1994-5 season can be seen at the Bastille tonight, tomorrow, Fri and Sun afternoon (continuing till Nov 17). It consists of a Balanchine-Robbins programme preceded by a grand spectacle with the entire company (4742 5371)
- The Kirov Ballet gives six performances between Wed and next Mon at Théâtre des Champs-Elysées. The programme consists of Coppelia and The Fountain of Bakchisarai (guest soloist Sylvie Guillem). The Kirov Opera follows from Nov 23 to Dec 11 (4952 5050)
- Trisha Brown Dance Company opens a 10-day residency on Thurs at Théâtre de la Ville (4274 2277)

OPERA
- The first of two cycles of the new Ring production at the Châtelet *begins tonight. The conductor is* Jeffrey Tate, the producer Pierre Strosser, and the cast includes Robert Hale, Gabriele Schnaut, Heinz Kruse and Kurt Rydl. The second cycle begins on Nov 8 (4028 2840)
- The next opera at the Bastille is a revival of Le nozze di Figaro, opening on Sat and running till Dec 4. Ivan Fischer conducts a cast headed by Hakan Hagegard, Leila Cuberli, Andrea Rost and Ferruccio Furlanetto (4473 1300)

CONCERTS
Salle Pleyel Itzhak Perlman plays the Tchaikovsky Violin Concerto on Wed and Thurs with the Orchestre de Paris conducted by Semyon Bychkov (4563 0796)
Bastille William Christie conducts Les Arts Florissants in a Purcell concert on Sun (4473 1300)
JAZZ/CABARET
American soul singer Mighty Sam McClain is in residence this week and next at Lionel Hampton Jazz Club. Music daily from 10.30pm to 02.00am (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

UK rates will need to rise

The next in the monthly round of staged *conversazioni* between the UK chancellor and governor of the Bank of England takes place this Wednesday. The timing of these meetings is a bit archaic, as they are loosely linked to the publication of the figures for M0 (cash balances) which are out today, but which *are now only one limited part* of the jigsaw of indicators which the Bank and Treasury examine.

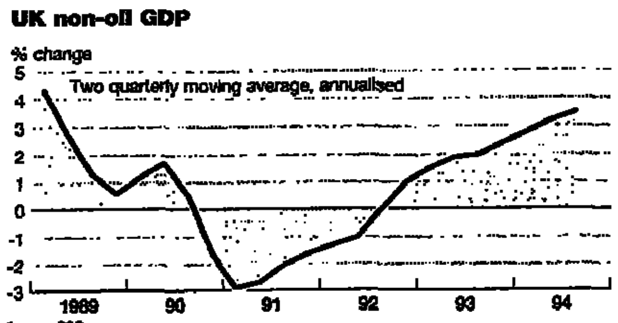
This time, however, much light has been shed by the publication of the flash estimate for third-quarter GDP. This estimate – for whose introduction the Central Statistical Office should be congratulated – itself summarises a large range of indicators. The GDP estimate was followed by the CBI quarterly Industrial Trends survey, still the least bad forward indicator we possess.

In a speech in the West Midlands on Thursday, the governor, Eddie George, came as close to disclosing his advice to the chancellor as he is ever likely to do before the event. As usual, there is something for each side. To comfort the doves, he reminded the assembled businessmen – as he had earlier that day reminded a financial audience in London – that "markets are currently exaggerating the inflationary dangers and the extent of the rise in interest rates that might ultimately prove to be necessary to contain them". He detected some moderation in the output data and said that the personal sector might be less buoyant than it was in view of the flat housing market.

He spoke of producers absorbing cost pressures in the early stages of the production process and of the intense retail competition, which was a powerful ally in keeping prices down. Last, but by no means least, he reminded people of the further fiscal tightening in the pipeline. Tobacco and road fuel duty rise this December. In April, not only does Vat on fuel more than double, but tax allowances for married couples and for mortgage interest are to be trimmed, even if nothing further is announced on Budget day on November 29.

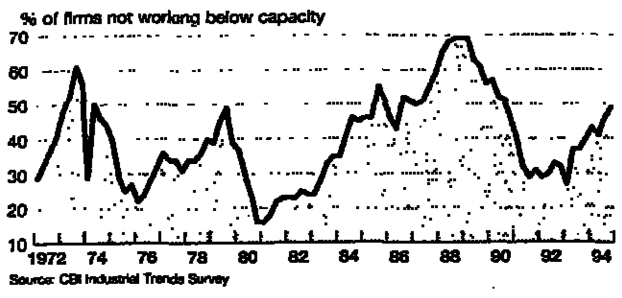
For the hawks, he referred to the re-entry problem – that is the eventual need to slow down the growth of output to a rate that can be sustained in the medium term. Moreover estimates of output growth tend to be revised upwards at this stage of the cycle. Any slowdown in consumer spending, so far from being a bad sign, will be much needed "if we are to find room for stronger growth of exports and investment" of which he saw such encouraging signs.

UK non-oil GDP



Source: CSO

Capacity operation in UK manufacturing



Source: CBI Industrial Trends Survey

He was even more confident that the increase in base rates in September was right; and said "you wouldn't expect me then to rule out the possibility of some further rise in interest rates at some point ahead". For good measure he added: "I don't expect you to cheer exactly when rates do have to go up. But I don't think you would thank us if we flinched..."

The really tell-tale bits relate to his reasons for underlying optimism, such as the favourable outlook in overseas markets, British industrial competitiveness, and the historically high real pre-tax returns on capital. To a good central banker these are reasons for ensuring that things remain that way, rather than for simple-minded applause.

As a connoisseur of Central Bank Speak, my interpretation *is that Eddie George will either* ask for a moderate increase in base rates – say to 6¼ or 6½ per cent – at this week's meeting, or prepare the ground for such a request the following month. Further ahead I would guess that his crystal ball cannot *so far* see any need for interest rates above 7 per cent – compared with the 10 per cent over the next three years implicit in the yield curve for bond rates.

Looking myself at the third-quarter GDP, I cannot see much sign of any slowdown. The *top chart plots a two quarterly* moving average of this measure excluding the volatile North Sea sector. It shows growth rising steadily since the end of the recession to reach an annualised rate of 3½ per cent.

There is some argument about whether the trend rate of growth is not much above 2 per cent per annum, as the Treasury and Bank seem to believe, or nearly 3 per cent, as Christopher Dow, a former Bank of England economic director, argues in the publication *Leopold Joseph Economic Comments*. In either case the margin of excess capacity is being quite rapidly eroded, which is confirmed both from the labour market figures and the CBI capacity utilisation survey. Michael Saunders of Salomon Brothers has produced a chart showing capacity utilisation at a normal rate in Germany, well above normal in the US and somewhere in between in Britain.

Faithful readers will know the arguments for taking nominal spending as the target variable for policy. Because of recent very low inflation rates, nominal GDP growth, when we get more recent estimates, might turn out to be at around 5 per cent per annum, perhaps even less.

In itself this is entirely satisfactory. But if there is an overwhelming proportion of indicators pointing to upward pressures in the quarters to come, and moreover many of them come directly from the cost and prices component, it is time to sit up and take notice.

CBI output expectations are the highest since October 1988, towards the peak of the last boom. Export deliveries reported are the highest since the series began in 1978. The balance of firms in the CBI survey intending to increase prices is now the highest since early 1991, before inflation began its plunge. The percent*age increase in earnings due to* pay settlements has edged up by around ¾ percentage points in both manufacturing and services. And – most difficult to take into account in policy – the Economist commodity price index has risen, admittedly from a low point, by over 40 per cent in the last year measured in dollars, and by over 25 per cent measured in sterling.

This last indicator points to the radical change in the international environment. Demand and output are rising vigorously from a varied series of starting points in the indus*trial, developing and post-com*munist worlds alike (apart from Japan).

The UK has no painless way of escaping completely worldwide inflationary or deflationary forces. But every aspect of the conjuncture suggests that any movement in sterling ought to be modestly upwards, compared with the sideways movement of the last two years. The exchange rate must be a more important consideration in any base rate decision than the chancellor will find it politic to admit to his own backbenchers.

Fruit wars: banana processing in Costa Rica

Brussels in a banana split

Deborah Hargreaves on a row over the EU's import scheme

European Union specifications for the bendiness of bananas have made irresistibly comic copy on the front pages of Britain's tabloid press recently. Most people are unable to take anything to do with bananas seriously.

Not so a committed core of trade negotiators, officials and businessmen involved in an acrimonious dispute over the EU's arrangements for importing the yellow fruit.

Opposition to the EU's banana import scheme is running high. In recent weeks, the US has launched one trade investigation and threatened a second; the German government has complained for the second time to the European Court of Justice; and Guatemala has vowed to lodge a complaint with the new World Trade Organisation, successor to the General Agreement on Tariffs and Trade next year.

While disagreements over bananas date back to the creation of the EU in 1957, current divisions are so deep that the Union is finding it difficult to agree any action at all.

The present source of friction is the preferential access to the EU banana market – which accounts for 3.6m tonnes a year – granted to former colonies of Britain and France in Africa, the Caribbean and the Pacific (ACP) under the Lomé trade convention.

In 1993, import rules had to be harmonised across member countries as part of the move towards a single market. Before this, Germany imported bananas from Latin America as a source of quality, uniform, inexpensive fruit. But the new rules placed a quota and a tariff on these so-called dollar bananas, while allowing in ACP country imports tariff-free. Under the current regime, 30 per cent of import licences are allocated to traders on the basis of past trade in ACP bananas, 60 per cent on the basis of past trade in Latin *American bananas, and 10 per* cent to newcomers and traders in EU bananas.

Germany was furious about the new rules, although, as one German former agricultural official recently roared: "Germans are not emotional about bananas; it's pure economic good sense."

Germany consumes more bananas – almost 1lb per person per week – than any other country in the EU, double the level of UK consumption. The fruit was seen as a first taste of freedom for west Germans after the allied blockade. It was also a potent symbol of western affluence for east Germans, who cleared the shelves of bananas in west Berlin when the Berlin wall was pulled down in 1989.

"Konrad Adenauer did a lot of good things for us Germans, but the best was the banana protocol," said a German official with only a tinge of irony, referring to the deal hammered out by the first German chancellor allowing Germany to import as many bananas *as it wished*. Negotiating the protocol held up the signing of the Treaty of Rome, which originally created the European Economic Community.

The divisions are so deep that the European Union is *finding it tough to* agree any action

Indeed, bananas have almost changed the face of the world a few times. A Franco-German dispute over bananas delayed the signing of the Uruguay Round agreement in Marrakesh earlier this year. And Germany's second complaint to the European Court on the issue could still hold up EU ratification of the Gatt deal.

The UK and France remain firmly committed to the Lomé convention. "We're still as behind the banana regime as ever, but you can't disguise the fact that it has rather a lot of enemies," said one British Foreign Office official.

UK officials, however, acknowledge that the US trade investigation could present the most serious challenge yet to the EU's banana arrangements. Mr Mickey Kantor, US trade represen*tative*, is looking into a complaint by Chiquita Brands International, a large US banana exporter, and the Hawaii Banana Industry Association that the EU's arrangements for importing bananas are damaging US companies' ability to compete in the $2.7bn-a-year EU market. Mr Kantor has said he will also investigate the quota on EU imports from Latin America, which has been set at 2.17m tonnes this year.

Latin American countries have already had complaints over quotas upheld by the Gatt disputes panel, which has declared the EU arrangement illegal. The EU recently applied for a waiver to the Gatt rules for the Lomé convention. The Gatt council *is due to* consider the request next week.

But Mr Kantor's investigations may be more difficult to ignore. If he concludes that US interests have been hurt by EU policy, he is likely to threaten retaliatory trade action. If he threatens to slap a large import *tariff* on *Scotch whisky*, for example, the UK government would have to decide whether it could put national interests at risk through its support for an altruistic policy towards former colonies. Under these circumstances, UK politicians' enthusiasm for the banana regime *could fade fast*.

Caribbean banana producers are aware of their vulnerability in these games of power politics, but since bananas are one of their few sources of income, they must battle on. "We spend all our time fighting on the diplomatic front to preserve our markets – it's unsettling. We need stability to develop our agriculture," said Mr John Compton, prime minister of St Lucia, which derives half of its gross domestic product from the sale of bananas to the EU.

Mr Compton feels embattled on all sides, after a tropical storm in September destroyed 60 per cent of the island's banana crop. After the storm, Geest, the main importer of bananas from the Windward Islands, successfully fought to raise its quota of Latin American bananas to make up the shortfall.

Germany has suggested that, since bananas from ACP countries are small and of variable quality, their producers should receive aid to help them diversify out of bananas. The St Lucia prime minister wants to encourage the production of avocado pears and citrus fruit, but since most bananas are grown by small, family farms, *it takes time to put changes* into practice.

For now, the European Commission is stymied on bananas. Its current rules for quotas on Latin American bananas were due to come into force this month, but it has been unable to agree the technicalities of the regime with member governments. Mr Kantor's investigation is likely to take about a year, and Germany's complaint will be heard in the European Court next year.

Anyone who thinks bananas are still amusing had better wipe the smile off their face.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Transport: plan on basis of sustainable development – or reverse development

From Sir John Houghton and Mr Aubrey Silberston.

Sir, We are sorry to find the Financial Times, of all papers, criticising the Royal Commission's report on transport without taking the trouble to appreciate our arguments. The commission has not said that building more roads is "intrinsically wrong" (as suggested by your leader, "Misreading the road map" on October 27). The whole basis of the report is sustainable development, which cannot be achieved unless assessments take into account both "the benefits of mobility" and the value of environmental assets that might be lost.

To carry out such assessments, the report recommends a pragmatic approach, in the form of identifying the "best practicable environmental option" (para 9.56). The commission's view on both roads and new rail lines (para 4.60) is that they should not be built in areas of conservation, cultural, scenic or amenity value unless they have been shown to represent the best practicable environmental option. In such cases, in the terms of your leader, the price associated with their use would have to be very high indeed before their construction could be justified.

You also misrepresented the commission's position in another respect. The use of unleaded petrol remains desirable on health grounds, even in cars without catalytic converters. But we drew attention in our ninth report in 1983 to other health risks associated with high-octane (super premium) unleaded petrol.

Neither the commission, nor so far as we are aware, other environmental experts, has ever argued that particular grade is (as you put it) "green".

John Houghton, *chairman*,
Aubrey Silberston, *member*,
Royal Commission on Environmental Pollution,
Room 652,
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London SW1P 3BZ

From Dr Jörg Schimmelpfennig.

Sir, Your editorial on the findings of the Royal Commission on Environmental Pollution is founded on two fallacies.

First, while matching total revenue raised from any particular group of road users with the total costs caused by that group may well relate to questions of fairness and, thus, to selling certain policies to the public, it has nothing to do with overall economic efficiency. For any policy to be efficient it should set the right incentives.

Consequently, only margins are to be taken into account. As long as the private costs of driving one additional mile fall short of the corresponding social costs, society suffers as a whole.

Second, since the American economist, Anthony Downs, published his findings on congestion on US freeways in 1962, there has been ample evidence – though largely ignored by road planners and transport ministers – that new roads increase road traffic. Again, the reason is a matter of incentives. By relieving congestion in the short run the private costs of motoring as experienced by the marginal driver are reduced on other roads as well and, thus, more drivers are wrongly induced to use the roads. In the worst scenario this may even lead to an increase in overall congestion.

Instead of proceeding with the current road building programme, the government would be better advised to introduce road pricing and significantly to increase fuel taxes. By pricing marginal drivers off the roads, much of today's "demand" for new roads would become obsolete. The financial consequences of this could easily be cushioned by, for example, scrapping vehicle taxes or reducing income tax or National Health Service contributions. Taken as a whole, this could even leave public revenue unchanged.

Every day both the countryside and tens of thousands of commuters all over the UK continue to suffer from disastrous repercussions of Dr Beeching's recommendations of three decades ago. The royal commission's report presents a unique and possibly final chance to halt and, at least partially, reverse this development. It should not be wasted.

Jörg Schimmelpfennig,
department of economics,
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Germany

Let's drink to boost for tourism

From Mr Stephen Cox.

Sir, I suggest a boost for tourism that needs no new money, no new "initiatives", and no new government bodies. Give us intelligent, grown-up, civilised pub hours. Let pubs open on Sunday afternoons if they want to. And let pubs and restaurants serve alcohol until the small hours of the morning.

Michael Forsyth is the minister responsible for licensing. As a Scot, he knows they do things better up north, where pubs can open on Sunday afternoons and until 1am. And, as a deregulator, he should be itching to get his hands on these absurd English laws.

How about it?

Stephen Cox,
campaigns manager,
Campaign for Real Ale,
34 Alma Road,
St Albans,
Herts AL1 3BW

UK must aim to become a key player in information superhighways

From Mr Graham Allen, MP.

Sir, The space you have devoted to the new information superhighway ("France ponders superhighway gamble", October 28) and its potential benefits and implications for the future ("Information groups warned on multimedia hopes", October 26) underlines the importance of the decisions currently under consideration.

The screen may replace the school and this issue is of such technological, educational and economic importance that we must ensure the best possible route is taken to allow it to develop and expand.

As the report by the research organisation, Inteco, has pointed out, there will not be appreciable revenues from this industry until the next century. However, this cannot inhibit public and private sector expansion into the communications revolution.

The key question is the public/private partnership; for example, can public benefits be negotiated for UK citizens comparable with those Vice-President Al Gore is working on in the US? In the US, Gore is *operating within* a wholly private sector. Equally, in France where the public sector predominates, the ambition is for the establishment of a network of fibre optic cables linking every household by the year 2015.

The EU industry commissioner *favours* bringing the lead in development of a European information superhighway into the domain of private companies; some other states of the EU would prefer public operators to control national infrastructures. Therefore the question is not one of whether private or public sector dominates, but how both sectors can work together constructively and create the blend which delivers the widest benefits for the citizen.

In that positive context a future British government will try to develop plans for information superhighways with a close eye on European and global developments.

All excursions into the exploration of such high-tech industry must take account of European competition and industry policies. The potential for exciting development exists and we must ensure that Britain becomes a key player in this new revolution and that the benefits will flow to the greatest number of individuals.

Graham Allen,
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White House and Casablanca

After President Bill Clinton's gestures towards peace and security during his Middle East trip last week, the current conference in Casablanca provides a timely reminder of the economic developments required to make peace durable. But participants would do well to remember that the region is far from being able to beat swords into ploughshares as the more visionary Israeli leaders sometimes suggest. In fact, it is still in urgent search of the political solutions that are an essential precondition for development.

The cornerstone of the peace process is the relationship between Israel and the Palestinians, and that is in trouble. Israel has so far only withdrawn from part of Gaza and the town of Jericho, leaving in its place an ill-functioning Palestinian self-rule authority which has failed to get to grips with the economic issues confronting it. Scarcely any of the $720m earmarked by international donors for infrastructure projects this year has been spent, while Palestinian infighting has led to the absurd confusion of the same telecommunications contract being awarded to different companies. Israel has added substantially to the problems by shutting its borders to tens of thousands of Palestinian workers, thereby deepening poverty in the territories and bolstering Hamas, the radical Islamic group intent on sabotaging the peace accord.

Israel and western aid donors agree that the modest prospects for a viable Palestinian economy depend heavily on a close association with its Jewish neighbour. To talk, as Israeli leaders have done recently, of a permanent physical separation between the two communities, is a recipe for economic, and probably political, disaster.

To avert this debacle, two things need to happen. First, Israel must withdraw speedily from the West Bank so that already overdue Palestinian elections can be held. If a sizeable part of the Palestinian electorate shares western suspicions that Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, is not up to the task of running the self-rule authority, the sooner its voice is heard the better.

Second, the World Bank, EU and US must intensify their efforts to ensure that donor money is spent quickly and effectively. Part of the problem here is the lack of regional support for the aid effort.

A few years ago Saudi Arabia and Kuwait would have been expected to be among the most generous contributors to an emerging Palestinian state and to the regional development projects being mooted in Casablanca.

But President Saddam Hussein, the price of oil, and President Clinton's success in selling billions of dollars worth of military equipment have meant that even the revenues from 8m barrels of oil a day are insufficient to halt the Saudi budget sliding into deeper deficit. With the kingdom's per capita GNP now little more than a third of the average for the EU, what was the world's most affluent welfare state is being rapidly eroded, and political pressures are growing. Now Saudi Arabia and Kuwait face the need for substantial additional outlays to support the latest US military deployment in the region. Security in the Gulf does not come cheaply.

Enhanced security in the Middle East may be what Mr Clinton sees from the White House. But the political obstacles remain daunting, and the economic underpinnings for peace are fragile indeed.

EU carve-up

Sir Leon Brittan may be disappointed, yet he cannot really be surprised. Saturday's sharing out of European Commission jobs forced Britain's senior commissioner to relinquish responsibility for eastern Europe to his chief rival, Mr Hans Van den Broek of the Netherlands. He is making no effort to hide his bruised feelings.

Yet from a wider perspective, the Commission carve-up is far from a disaster. If it is messy, it is largely because there are now too many commissioners chasing too few jobs of substance. But Mr Jacques Santer, new Commission president, has done a perfectly reasonable job in recasting and dividing up the foreign policy portfolios – and, for the most part, in concentrating fire-power on the policy areas that matter.

Moreover, before deciding whether to carry out his veiled threat to resign, Sir Leon should reflect both on the nature of the portfolio he still commands, and on the job he has had to drop. Trade remains the most important aspect of the Commission's external activities, and he still faces a formidable array of challenges, from securing implementation of the Uruguay Round to pursuing closer relations between Europe and the dynamic region from which it seems most remote, Asia.

Nor, in relinquishing the eastern Europe job, is Sir Leon handing over to a protectionist or to someone determined to thwart the accession of the central European countries to the EU. There is little doubt that Mr Van den Broek will set about the vital task of preparing for the Union's next enlargement with gusto. What is more, the eastern question is one for the whole Commission, not just one commissioner. If it is to admit new members, Brussels will have to implement changes to its budgetary, trade, agriculture and social policies. Sir Leon will have plenty of influence in all these areas.

Slimmer banks

Who would be a retail banker these days? According to Sir Brian Pitman, chief executive of Lloyds Bank, the UK's financial services industry is heading for a rough ride, comparable with the upheaval experienced by manufacturing industry in the past two decades. He is right, but the conclusions he draws, far from being melodramatic, may prove insufficiently radical.

The new pressure on retail banking, as Sir Brian points out, comes from the nature of the current economic recovery: in particular, from low inflation and from growing competition. High inflation used to bail out banks from the consequences of sloppy lending. No longer. At the same time, competition is intensifying: with margins tightening both in the already ferocious international wholesale markets and in domestic retail banking.

Retail banking margins were fattened during recession, when customers paid charges demanded for fear of having facilities withdrawn. Even during recovery, banks have chosen to rebuild margins rather than drive for market share, despite protests about banking costs from small businesses and personal customers.

But now, the squeeze is back on – and the longer-term picture is of further margin erosion. Mainstream retail banks' best skill is the bread-and-butter of deposit-taking and lending. These days, that is a commodity business. Unless they can show that they are better at asset management, life assurance and pensions than long-established specialists, or that they can derive a cost advantage from their base of millions of customers when selling such products, they have no competitive advantage in these areas.

Banks have, in fact, shown no particular skill in the provision of the newer services. Moreover, only a small number of customers wants the full range. Most use their banks only for the payments system, and go elsewhere when they want loans, or other "value-added" services. This is why Coutts, the 302-year-old private bank, may be misguided in trying to move "upmarket" as it announced last week. In trying to weed out customers with less than £500,000 under management by the bank in order to focus on asset management, it threatens to alienate its already-select customer base for little return.

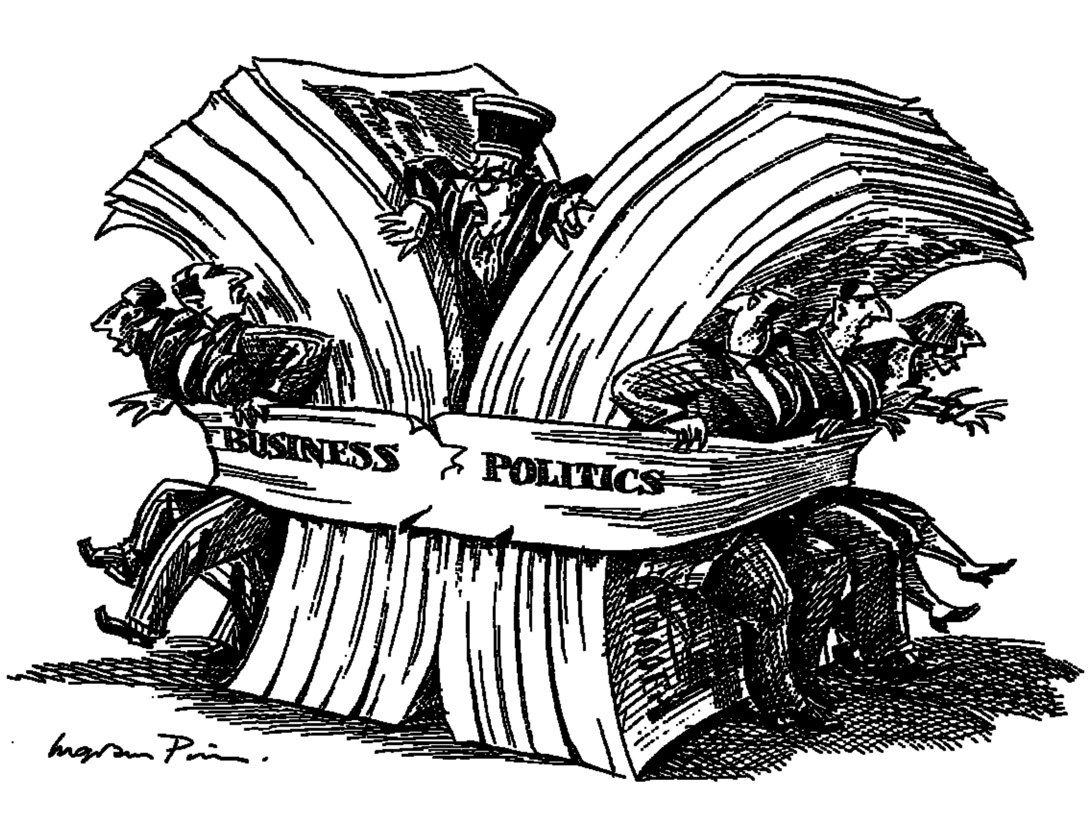
The implication of the pressures on retail banking, as Sir Brian Pitman warned, is that job cuts are necessary. As a mature, low-growth business, retail banks should expect numbers of employees to fall steadily as new information and payments-handling systems are introduced. Furthermore, the loosening of rules on building societies' lending will probably lead to fewer banks and building societies.

While navigating this restructuring, retail banks need to ask themselves whether they should attempt to provide a wide range of services. To survive, they may need, instead, to cut back the "extra" services offered to customers and to trim further the personal service which accompanies mainstream banking. But the banks' traditional advantage has been customer loyalty. Somehow, they must retain that advantage, while increasing efficiency. The risk, as they shed staff, is that standards of service will decline and customers will go elsewhere.

The successful banks of the future will focus on core areas of advantage. They will also become more efficient, while continuing to provide the quality of service that sustains – even enhances – their customers' loyalty. The rest may well decline steadily, under remorseless competition.

After a run of scandals, France is trying to prise politics and business apart, say **David Buchan** and **John Ridding**

Magistrates in the middle



With corruption allegations having claimed two members of his cabinet, French Prime Minister Edouard Balladur is scrambling to prevent his government being tainted with scandal in the run-up to a presidential election that he clearly intends to contest.

Mr Balladur last week proposed a series of amendments to France's existing political finance and anti-corruption legislation. These would subject public procurement to closer scrutiny and leading politicians to an annual audit of their personal wealth, as well as cut by a third the total amount that presidential candidates could spend in the 1995 campaign for the Elysée.

But many – including senior parliamentary figures – are calling for more radical reforms, such as a ban on all corporate contributions to political parties. Such proposals highlight public pressure for stronger measures against corruption, raising questions about the extent of the problem, the response of the political and corporate establishment, and the implications for relations between business and state.

Most observers agree that corruption in French politics and business is not on an Italian scale. Mr Balladur is almost certainly right in saying that "only several tens among France's 500,000 elected politicians" are besmirched by scandal.

But Mr Alain Carignon, his former communications minister, is now in a Lyons prison facing charges of corruption in Grenoble, of which he is still mayor. Mr Gérard Longuet has been forced to resign as industry minister over allegations concerning payments for his holiday villa in St Tropez and the funding of his Republican party. The mayor of Lyons faces investigation, and the ex-mayor of Nice awaits extradition from South America on similar charges.

Internationally known company chiefs have been hit. Mr Jean-Louis Beffa, head of the Saint Gobain glass and packaging group, has been placed under investigation in a case involving influence-trafficking, which triggered the probes into Mr Longuet. Several executives from some utilities and construction groups have been questioned concerning the terms on which they secured public works contracts.

Mr Didier Pineau-Valenciennes, chairman of Schneider, the electrical engineering group, and Mr Pierre Suard of Alcatel Alsthom, the telecoms, transport and engineering company, have been placed under investigation in different types of cases. The former, accused of defrauding minority investors, is the object of an international arrest warrant issued by a Belgian judge, while the latter faces accusations that he used company funds to pay for work on his private property.

Much of the drive to uncover corruption has come from the French magistracy, which has shed its former servility to political and corporate power. Its first targets were the Socialist party's finances, the personal finances of Mr Pierre Bérégovoy, the former prime minister who committed suicide 18 months ago, and the tangled affairs of Mr Bernard Tapie, the leftwing MP and former businessman.

But the number of investigations – and the levels they reach – has risen sharply this year, shaking government and business leaders. "Many company chairmen are terrified," says Mr Elie Cohen, a Paris professor of business. "They have seen the treatment of their counterparts and they are traumatised."

Business leaders have condemned the high-profile methods of the magistrates and the lack of respect for judicial secrecy. Mr Suard, for example, was detained for 12 hours in police custody, and claims details of the investigation were leaked to the press.

But the spate of investigations has also prompted soul-searching about the way business is conducted. The Patronat employers' federation has set up a study group with a remit wider than Mr Balladur's anti-corruption commission, to include companies' relationship to the law, judges and politicians, as well as to examine means by which companies could exercise better control over themselves.

Some sectors and companies are already taking their own action. The National Federation of Public Works is working on a code binding its 6,000 member companies not to offer bribes to win the FFr150bn (£18bn) worth of public contracts they carry out every year. Carrefour, the supermarket chain, has forbidden employees to accept presents worth more than FFr1,000 from suppliers. Générale des Eaux, the utilities and communications group, has an ethics committee headed by a retired senior manager to guide managers on sensitive contracts.

Companies are also questioning whether a tradition of powerful bosses with inadequate internal controls has permitted malpractice. "There is too much concentration of power in the PDG [*présidents directeurs-généraux*]. Stronger boards are needed with more checks and balances," says Mr Henri-Claude de Bettignies, professor of ethics at Insead business school.

Pressure for reform of corporate governance in France predates the current scandals. The legal adviser to one leading industrial group says the problem is that "PDGs control boards rather than vice versa".

A 1966 reform enabling the creation of a supervisory board headed by a president, and a *directoire* headed by the chief executive, would help divide power and responsibility. However, only 2 per cent of French companies have adopted the practice. This Anglo-Saxon type of solution does not sit easily with French corporate culture. "Non-executive independent directors do not attract us," says a one business leader.

For many observers, however, more fundamental problems lie in the close relationship between business and state, particularly at the local level. Scope for corruption was increased by the decentralisation of decision-making powers to the regions over the past decade, and the trend by cities to contract more of their water and waste treatment services to private companies.

Half of France's 36,000 communes, representing 75 per cent of the population, now have water provided by contractors. "These companies have the technology and capital required these days to carry out these services," says the National Association of Mayors. But there is widespread suspicion of sweetheart deals between public officials and private companies.

Mr Balladur now proposes giving back to *préfcts* – central government's representatives in France's 95 *départements* – the power to suspend contracts where there is ground for suspicion. A more radical proposal touted by some would be to ban all companies carrying out public contracts from giving any money to politicians.

A 1990 law restricts to FFr500,000 a year the amount that a company can donate to a political party. But there is a loophole for the construction and utility groups, since each subsidiary of a group can make donations up to this limit. Utilities tend to set up separate subsidiaries to manage major municipal contracts, so that Générale des Eaux, for example, has 2,500 subsidiaries.

Some say pressure for transparency is growing. "We will move towards a process of increased legal scrutiny of public contracts," says Prof Cohen. "The more affairs there are, the more momentum will grow for a system of auctions and safeguards, such as a panel of magistrates which can oversee contracts."

He belives that the process is under way. The award last month of the potentially lucrative third mobile telephone licence to Bouygues involved a detailed analysis of rival projects and stirred a debate about the terms of the contest. "This kind of debate would not have happened before. It was a significant step," says Prof Cohen.

More steps will need to be taken. "Even if corruption is less than before, the popular perception is that it is rife," admits one executive of an industrial company. "This is creating anti-business feeling, and has to be resolved quickly."

'Highway' to transport of the future

PERSONAL VIEW

The £5 gallon of petrol is now firmly on the UK political agenda, alongside electronic road tolls. Last year, the chancellor, Kenneth Clarke, announced that petrol duties would rise 5 per cent a year in real terms for the foreseeable future. In the forthcoming Budget, he is likely to go further in raising taxes on motoring, supported by last week's report from the Royal Commission on Environmental Pollution.

The automotive age is drawing to an end, choked in its own congestion and pollution. But what follows?

Calls for massive investment in conventional public transport, even if privately financed, seem out of touch with the needs of a generation that has grown accustomed to the predictability and door-to-door security of auto travel.

Equally, visions of a nation of "lone eagles", telecommuting from their eyries in the countryside or suburbs, seem overdone.

The information revolution holds the key, but it is about far more than telecommuting. Its true potential is in allowing much better use of existing transport resources.

Off-peak buses and suburban trains usually run well below capacity, with load factors that would make an airline bankrupt. Taxis rarely fill all their seats, and operate at a zero load factor when plying for hire.

The new technologies can raise these utilisation rates dramatically. One contribution would be to provide up-to-the minute information on what is available, and make booking empty spaces easier. A more exciting contribution would be in creating a more flexible pricing structure for public transport.

A hint of what is to come is given by the on-line computer terminals used in many taxis in London and other European cities. These allow cabbies to choose a preferred job from among those offered on the screen – in most cases, the one nearest to them at the time.

However, this offers nothing new on pricing. When you buy a taxi ride, you get privacy, door-to-door transport and immediate service. Not everyone wants all of these services, but they are not available separately. The only public transport alternative is a bus or train – and these offer none of the three.

Information technologies will allow these services to be unbundled. The pensioner can book a cab to get (possibly shared) door-to-door service to the supermarket, at a time chosen by the taxi company. The fare will be far below the price charged to a business customer who needs to go at a specific time.

The information revolution will allow much better use of existing transport resources

The discount reflects the increase in load factors towards 100 per cent, achieved by the flexible scheduling possible when servicing a mix of consumers, some of whom do not mind when they travel, and some of whom don't mind sharing. The result is a taxi service – or elements of it – at bus prices. Mini-bus operators will join companies in these new markets.

Conventional bus services can also raise load factors by offering extra services, such as tailoring their routes to demand. The distinction between buses and taxis will become blurred.

This is a great vision, but it will not happen by itself. Someone has to build communications networks to link would-be travellers with the vehicle operators.

It might require the government to license just one or two operators for a period to encourage investment in such networks. The question must also be addressed of whether to have common ownership of communications networks and of vehicle fleets, or separate them, as is planned with the split between the owners of the track and the trains for British Rail.

These issues may seem technical now, but they could be real politics soon. The electorate will not accept that secure, convenient transport is a prerogative of the rich. The narrow political challenge is to set the regulatory framework for a responsive, information-based transport system and put the finance – public, private or mixed – in place .

But there is a broader challenge. Even if the new buses and taxis offer a low-cost "product", poorer people may be unable to use it if booking by phone requires use of a credit card.

Electronic payment of social security benefits would solve this, since claimants would gain (a limited amount of) creditworthiness by allowing transport operators and other firms to debit their future benefits electronically.

Political talk about "on-ramps to the information superhighway" is easy. The hard reality is that the information age is starting to open up a series of very difficult issues, all closely intertwined. These will be at the core of political debate in the next few years.

Giles Keating

The author is chief economist at CS First Boston

OBSERVER in Lebanon

Emerging marketplace

■ Welcome to the world's first literal emerging market. Beirut is scrabbling to extract itself from the rubble of a 17-year war, in which a collective madness saw as many as 200,000 killed. Not yet a tourist hot-spot, but it might be one day.

Wealthy Lebanese and outsiders keen on risky bargains are beginning to find Beirut sexy, if a little grim. They detect a phoenix deep within its ashes.

Some ashes. Just about the only sector in downtown Beirut – Beirut generally, for that matter – not liberally splattered by gunfire is the small banking enclave.

It's an odd sight; completely undamaged office blocks amid a sea of devastation reminiscent of Berlin circa 1946. One Beiruti just back after lengthy exile offers an explanation: "They [the fighters] normally left the banks alone. They all realised they needed them. No banks – no means of funding their arms deals."

Woad to success

■ "When my ancestors were painting themselves in woad and hitting each other with clubs, the dawn of civilisation was taking place here."

So said Lord Alexander Hesketh, 43, at Beirut's Coral Beach hotel, introducing the inaugural flight of British Mediterranean Airways from London's Heathrow to the Lebanese capital.

Chairman of BMA, Hesketh took with him an assorted bunch of hacks – Observer included – and friends, checking out the company's leased Airbus A320 (worth $45m) and Beirut's potential.

Hesketh is shy about BMA's shareholders; it's a private company. He says 62 per cent is British, the remainder held by backers including Italians and Argentines. Hesketh, who also sits on the board of Babcock – next to Lord King, former chairman of British Airways – says BMA is no gamble, though he adds: "Romanticism has always been a weakness of mine."

British Airways has just decided it too will start flying London-Beirut. "They will try to kill us. We shall have to resist," concludes Hesketh.

Fortitude

■ Flying the flag at the reception was Maeve Fort, British ambassador. She dashed off to a dinner for London Stock Exchange visitors, in town for a seminar on invisibles. Fort smoothly sidestepped the question of whether the Foreign Office regards Beirut as a hardship post.

But the presence of a very

'I like my lungs but I love my car'

obvious bodyguard – burly type, no champagne in hand, roving eyes – steadily maintaining three paces behind her, suggests it does. "Oh, pay no attention to him," joked Fort. No need to; three steps behind him was yet *another* minder.

Trafficking

■ With roads originally designed for 100,000 vehicles, Beirut now has at least 1m – about one per Beiruti – coughing through blitzed streets and freshly bulldozed sites. The number of traffic lights can be counted on two hands.

"Peace brings its own problems. What would we do with traffic lights? The troops and police would all be out of a job," says a local driver.

Price of peace

■ And no one wants to see the 30,000 strong Lebanese army, nor indeed the remaining 30,000 or so Syrian troops, idle. Sheikh Naim Kassem, a founder of Hizbollah, which still has an estimated 3,500 fighters dotted around Lebanon, as well as MPs, ominously says: "The price of peace will be greater than that of war."

Another Beiruti suggests: "The Syrians are still here to protect Hizbollah, who would otherwise be wiped out by the Lebanese army." Meanwhile, Hizbollah contents itself by trading shots with Israel in the south. A lasting peace? Don't count any chickens.

Cool by name

■ Beirut's only English language publication, the weekly magazine Monday Morning, is a little turgid, leavened by the occasional titbit. "A lively, blue-eyed glance, an infectious laugh, aristocratic manners – such is the European Union's head of delegation" (actually *chargé d'affaires*) "in Beirut, Harold Cool."

Cool, a Belgian, apparently likes wearing a cloak in winter, while "in summer he carries, quite unabashed, a scarlet red fan. 'I acquired the habit when I was posted to Africa. It was so hot that I took a fancy to it.' "

Absent friends

■ No longer in government, Hesketh still knows how to network. His guests included Bruce Anderson, the journalist and John Major biographer, and Lady Carla Powell, wife of Sir Charles Powell, former diplomat and trusty aide of Baroness Thatcher. Anne Heseltine, wife of trade and industry secretary Michael, dropped out.

At a welcoming dinner – just before the belly-dancing Jiselle performed some remarkable gyrations – Hesketh praised Sir Charles (absent "on a plane to Malaysia") as "possibly the greatest single public servant Britain had in the 1970s and 1980s". Possibly.

Beirut boot

■ Beirutis looking for silver linings amid chaos might comfort themselves that advertisers have yet to invade in strength. Hardly any neon, just some crude posters, including a ubiquitous one for "Crossfire" footwear. There's salesmanship for you.

Gary Mead

FINANCIAL TIMES
Monday October 31 1994

Grip on Senate still at risk as Clinton goes on campaign trail

Poll surge bolsters Democrats

By Jurek Martin in Washington

US MID-TERM ELECTIONS November 8

The good news for Democrats eight days before the US midterm elections is that a few closely watched races may be turning in their favour. The bad news is that the trend may not be enough to stop big Republican gains, including control of the Senate.

President Bill Clinton, fresh from a successful Middle East tour, with more good economic news to tout and with an improvement registered in most public opinion polls, hits the campaign trail in earnest today. He will focus on tight contests across the country where his presence, previously scorned by many Democratic candidates, may now make a difference.

In California yesterday, Senator Dianne Feinstein, the Democratic incumbent not far ahead of Congressman Michael Huffington, was expecting an endorsement from Mr Richard Riordan, the Republican mayor of Los Angeles.

Her hope is that this would have a comparable impact to that given to Mr Mario Cuomo, the Democratic governor of New York, after receiving an unqualified nod of approval last week from Mr Rudolph Giuliani, the Republican mayor of New York City.

Mr Cuomo, who also received yesterday the less surprising endorsement of the New York Times, has at least pulled level with Mr George Pataki, his Republican opponent.

Ms Feinstein's lead over Mr Huffington had slipped from nine points to three in the latest Los Angeles Times survey. But this was taken before the Republican congressman, who has made curbs on illegal immigration a centrepiece of his campaign, admitted employing a British nanny in the US without proper immigration papers.

In Pennsylvania Senator Harris Wofford, the Democrat, was endorsed by Mrs Teresa Heinz, widow of the popular Republican senator killed in an aircraft crash in 1991. She said that his opponent, Congressman Rick Santorum, was "short on public service and even shorter on accomplishment".

In Virginia, Mr Oliver North, the Republican candidate running Senator Charles Robb about even, was battling to overcome criticism from Mrs Nancy Reagan, wife of the former president, who accused Mr North of lying to and about her husband. He refused to respond to her, preferring to assault Mr Al Gore on the grounds that the vice-president's denunciation of his "extra-chromosome" supporters was a slur on those with genetic disabilities (Mr Gore did apologise, though not to Mr North, for an unfortunate choice of words.)

But the bad news for Democrats stems from an analysis of all the polls in the 35 Senate races due to be decided on November 8. The Democrats, with a 56 to 44 majority, can afford to lose no more than six seats to retain control.

Two seem lost already. In Maine, where Senator George Mitchell is retiring, Republican Congresswoman Olympia Snowe holds an apparently insurmountable lead over Congressman Tom Andrews. In Ohio, where Senator Howard Metzenbaum is also retiring, Lt Gov Michael DeWine, the Republican, seems sure to beat Mr Joel Hyatt, Senator Metzenbaum's son-in-law.

Arizona, being vacated by Senator Dennis DeConcini, had also seemed a lost cause, though one poll last week found Congressman Sam Coppersmith, the Democrat, pulling to within five points of Congressman John Kyl.

Ten other Senate contests are either leaning Republican or too close to call. Of these, the seven endangered Democratic seats include four defended by incumbents – Ms Feinstein, Mr Robb, Mr Wofford and Mr James Sasser in Tennessee – and three left open by retirement, in Michigan, Oklahoma and the second seat in Tennessee, formerly held by Mr Gore.

The polls are not always reliable, and, in some cases, not independently conducted. But, together with anecdotal reporting and analysis in the US press, they tend to suggest that virtually everything will need to break right for the Democrats to cling on to the Senate.

In the event of a 50-50 split, it is very possible that Senator Richard Shelby from Alabama, a Democrat in name but not voting record, may switch sides.

Ballot initiatives bring out the voters ....Page 5

Volvo truckmaking plans

Continued from Page 1

its three existing regional truck manufacturing operations in Europe and North and South America. It has also launched a feasibility study into establishing production in India.

Volvo is leading the European truck industry's emergence from recession, and its share of the west European heavy truck market has jumped to 15.5 per cent in the first eight months of 1994 from 12.1 per cent in the whole of 1993.

Mr Karl-Erling Trogen, chief executive of Volvo Truck, said the business was operating at the limit of its capacity in Europe.

Production of Volvo-brand trucks, mainly in Europe and in Brazil – Volvo sells under the WhiteGMC brand in North America – was running at an annualised rate of 45,000 a year, a rise of more than 60 per cent from under 28,000 a year in the depth of the recession in mid-1993.

The group is already investing SKr390m in order to raise capacity to 50,000 by July next year, but in early December the Volvo board is expected to approve the investment of more than SKr1bn to raise capacity further to between 55,000 and 60,000 trucks a year (excluding North America) by mid-1996.

It is understood that Volvo's plan for entry into the European light truck market will be completed by the end of the year.

Mr Trogen said Asia was Volvo's "number one priority" for geographic expansion. It had launched a feasibility study with China National Heavy Truck and Shandong Automotive for joint ventures for the production of both trucks and components in Shandong province, south-east of Beijing. Volvo was now waiting for official approval for the project from Beijing.

Brittan urged to retain post

Continued from Page 1

dominated Saturday's talks in Luxembourg chaired by Mr Jacques Santer, the president-designate of the Brussels executive body.

Commission members were evenly split over whether Sir Leon or Mr van den Broek, the former Dutch foreign minister, should have responsibility for central and eastern Europe.

Sir Leon won support from Mr Neil Kinnock, the former UK Labour party leader who is a newly-appointed commissioner, and Scandinavian commissioners who argued that Sir Leon was best qualified to prepare the next round of EU enlargement.

But neither of the two German commissioners supported Sir Leon, apparently because of the Bonn government's desire to improve relations with the Netherlands after Chancellor Helmut Kohl blocked Mr Ruud Lubbers, the outgoing Dutch prime minister, in his bid for Commission president earlier this year.

'Black market' fear over football tournament tickets

By Jacqueline Shorey in London

The ticket system for the 1996 European football championship, to be hosted by England, which requires fans to buy tickets they do not want, was condemned yesterday as unfair and likely to encourage a black market.

British Football Association rules mean that a fan who wants one £60 ($97) ticket for the final to be staged in London will have to spend at least £280 on a total of 11 tickets.

For every final ticket wanted, supporters must buy two for the semifinals, two for the quarter finals and two each for three group games – even if they only want one ticket for each.

Mr Chris Smith, heritage spokesman for the opposition Labour party, said: "The aim of ensuring that the real fans get the best chance for tickets is a sensible one, but the Football Association appears to have devised a system which, perhaps inadvertently, will not end up with this aim fulfilled.

"Furthermore, it will facilitate the starting up of an illegal black market. I hope the FA will think again about making people buy more tickets than they need."

The system has been criticised by supporters, who say that the unwanted extra tickets will deprive other fans of the chance to see games and encourage supporters to become ticket touts. "Without question, this system will create a black market," said Mr Steve Beauchampé, international officer of the Football Supporters' Association.

Mr Mike Parry of the FA said he could not rule out the "very slight risk" of fans becoming ticket touts, but hoped that love of the game would compel holders of spare tickets to pass them on to true fans.

Fans from other countries in the competition will not be able to buy tickets until December 1995, when the draw is held. Each country's football association will then be given 20 per cent of the tickets for their games. Their fans will know what matches they are buying tickets for. All the English fans can do, however, is book a seat now at a ground.

Mr Parry denied that tickets had gone on sale too soon. The competition will be twice the size of the Swedish championship in 1992 when tickets went on sale 10 months in advance. "This competition is twice as big and needs twice the time", he said.

Total ticket sales of 1.3m should generate about £60m. Mr Parry said the money would go into a trust fund. After expenses, profits would be split between the FA and UEFA, the European body, and put back into the game.

THE LEX COLUMN

Funding power

Pakistan's $1.6bn Hub River power project, whose financing was finally completed over the weekend, is being promoted as a blueprint for first world investors eager to satisfy the developing world's appetite for infrastructure funding. Industrial companies like National Power, which has a 25 per cent stake in the project, are increasingly keen to provide some of the finance themselves. But there are competing views about how best it should be channelled.

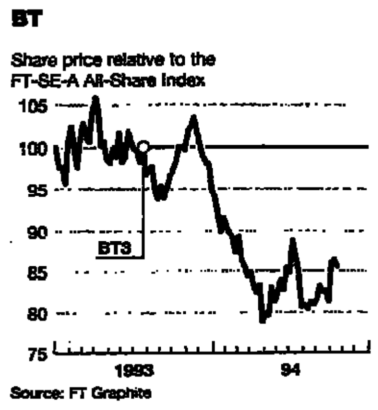
One route is that being taken by Welsh Water. It is looking to raise around $100m from half a dozen industrial partners and a further $400m from institutions. The fund would provide equity for projects identified by the industrial partners. They would get a return on their investment as well as an outlet for their products and services. Though attractive for the partners, such a structure raises the possibility of conflicts of interest. Institutional backers need to be satisfied their investment will not be used to subsidise industrial partners' sales. US General Electric's efforts to raise $2.5bn for a fund to invest in third world power projects are thought to have been hampered by such concerns.

On the other hand, companies like GE can deliver the flow of deals the fund needs. Tiger Management, the US hedge fund, recently failed to raise $1bn for infrastructure investment because of its perceived lack of experience in Asia. Other institutional funds are complaining about a lack of suitable projects. But this may say more about their expertise than the investment opportunities.

Secondary offerings

The UK's National Audit Office thinks the government's controversial sale of its third tranche of BT shares last year was a success. Techniques devised by merchant bank S.G. Warburg were effective in discouraging investors from dumping existing stock in the run-up to the issue and so helped maximise the sale's proceeds. The main tactic was to threaten to refuse new shares to those who sold stock aggressively in the offer period.

A pat on the back from a happy client will certainly do Warburg no harm as it seeks privatisation work across the world. What is difficult to understand is why investors interviewed for last week's NAO report also thought BT3 a success. At the time, many complained at the strong-arm tactics used by the Treasury. They can hardly be pleased with the shares' 14 per cent underperformance since the issue.



Source: FT Graphite

The controversy ignited by BT3 is still live. The government is expected to deploy similar tactics when it sells its remaining stakes in National Power and PowerGen next year. Meanwhile, the Stock Exchange is trying to decide whether regulations on short selling should be tightened. One idea is that issuers should be allowed to insist on cash settlement for trades in the run-up to an issue to make it easier to spot investors who dump shares. The Treasury unsuccessfully lobbied for such a system during BT3. The evidence from the NAO report is that issuers are quite capable of looking after themselves without further help from the exchange. If anything, the playing field is already tilted too far in their favour.

Noyaux durs

The forthcoming Renault share sale has brought France's system of *noyaux durs* – or stable shareholders – into sharp relief once again. Rhône-Poulenc has become the first industrial partner to apply for shares in the automotive company. There is precious little industrial logic in such a stake, much as the chemical group argues there will be synergies developing fuel additives for diesel engines. The financial logic is similarly threadbare. Heavily indebted Rhône-Poulenc will have to divert capital from its core businesses. It will also have to pay a premium for an interest that cannot be sold on the open market for at least 18 months. The only logic would seem to be political: the government wants Rhône-Poulenc as a shareholder, so it would be unwise to disappoint it. *Noyaux durs* contain dangers not merely for those companies that acquire stakes but also for ordinary investors. The risk is that a system of interlocking shareholdings could allow French industry to huddle together and ignore market disciplines.

The main argument for *noyaux durs* is that they help smooth a company's transition from public to private sector. In particular, they stop a newly-privatised group becoming victim of a hostile takeover – something which could cause a political uproar. Such an argument would be fine if *noyaux durs* expired after a fixed period, as is the case with the golden shares used in the UK for similar reasons. The snag is that, if the system allows management a comfortable life, *noyaux durs* could easily become a long-term habit.

US airlines

The US airline industry no longer looks cyclical. Four years after the economic recovery began, the sector should be enjoying a boom. But last week's batch of third-quarter results was nothing to boast about – despite the fact that the quarter is traditionally the year's best and fuel costs remain low. Continental Airlines' net margins were just 2 per cent, while USAir was in the red. Even AMR, the strongest of the large carriers, achieved margins of only 5 per cent.

The industry's big problem is the ease with which low-cost, low-fare airlines can enter the market offering no-frills services. Aircraft leases are cheap, trained pilots are available and few US airports have slot shortages. The low-cost groups control roughly a third of all capacity in the US. Their heavy price discounting has reduced yields – average revenue per passenger – throughout the industry.

Some airlines, such as United and Continental, have responded by launching their own low-cost subsidiaries. The jury is still out whether they can create the right culture. Continental's failed to break even after a year, prompting the chief executive's resignation last week. Others such as American and Delta are concentrating on cutting costs. The problem is that such attempts at self-help will not return the industry to good health so long as aircraft manufacturers continue to subsidise financing and Chapter 11 protects airlines from bankruptcy. Until then, most airlines will be hard-pressed to earn decent returns on capital.

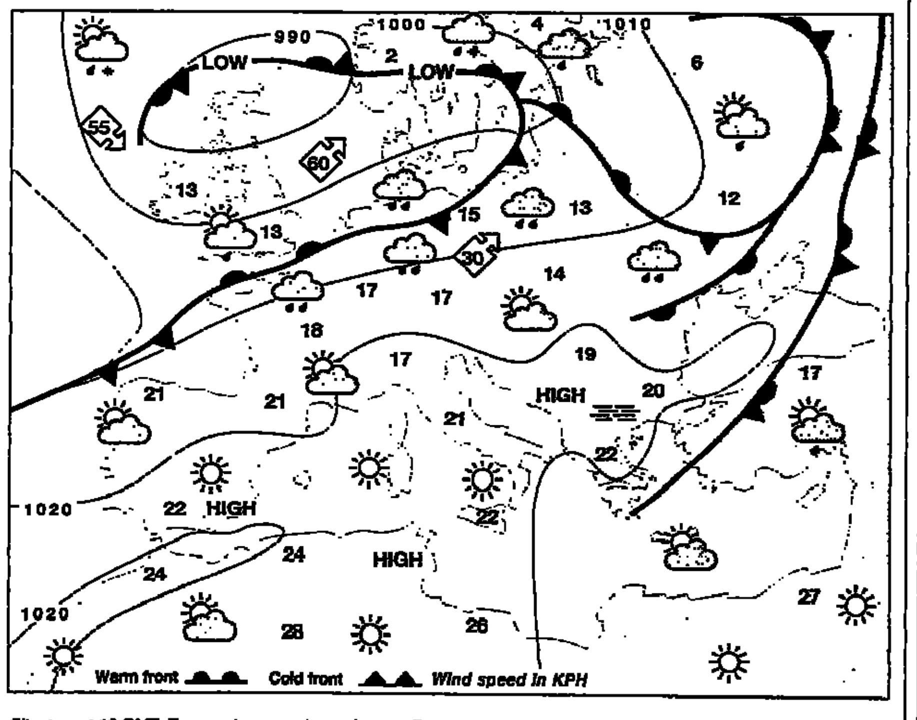
FT WEATHER GUIDE

Europe today

Widespread rain and fresh south-westerly winds from southern Scandinavia to north-western France will cause a divide between autumnal conditions in the north-west and mainly sunny and unseasonably warm conditions over most of central and south-eastern Europe. The frontal rain will eventually drench north-western Spain. From central Russia to the Baltics, it will be mainly overcast with rain spreading into a region previously occupied by high pressure. Fresh south-westerly breezes along with intermittent showers are likely in central areas of the UK, however continuous rain is expected in Scotland and south-east England. Moderate daytime freezing conditions will continue in Lapland. The warmest area will be the eastern Mediterranean with temperatures between 20C and 25C.

Five-day forecast

Tomorrow, widespread rain will move across Scandinavia and into northern Russia. Lighter but still significant amounts of rain are expected from the Benelux to western Spain. A build-up of high pressure over central Europe will cause extensive fog during the week, but a new low pressure system from the Atlantic will dissipate it. Increasing southerly winds will be followed by rain and then gradual cooling.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	15	Caracas	sun	31	Faro	sun	21	Madrid	sun	19	Rangoon	thund	33
	Celsius		Belfast	shower	12	Cardiff	rain	14	Frankfurt	fair	18	Majorca	sun	23	Reykjavik	sleet	0
Abu Dhabi	sun	33	Belgrade	fair	20	Casablanca	sun	22	Geneva	sun	16	Malta	sun	23	Rio	cloudy	23
Accra	fair	27	Berlin	shower	16	Chicago	cloudy	10	Gibraltar	sun	21	Manchester	shower	14	Rome	sun	22
Algiers	fair	26	Bermuda	fair	26	Cologne	cloudy	17	Glasgow	rain	13	Manila	cloudy	31	S. Frsco	sun	20
Amsterdam	rain	16	Bogota	shower	22	Dakar	fair	29	Hamburg	rain	14	Melbourne	shower	14	Seoul	fair	14
Athens	sun	23	Bombay	fair	33	Dallas	fair	23	Helsinki	shower	4	Mexico City	fair	24	Singapore	shower	33
Atlanta	cloudy	22	Brussels	rain	16	Delhi	sun	28	Hong Kong	sun	29	Miami	fair	28	Stockholm	rain	8
B. Aires	fair	17	Budapest	fair	18	Dubai	sun	34	Honolulu	fair	30	Milan	sun	16	Strasbourg	fair	20
B.ham	shower	14	C.hagen	rain	12	Dublin	shower	13	Istanbul	sun	20	Montreal	cloudy	9	Sydney	cloudy	25
Bangkok	fair	33	Cairo	fair	27	Dubrovnik	sun	23	Jakarta	thund	31	Moscow	shower	6	Tangier	fair	22
Barcelona	sun	21	Cape Town	sun	26	Edinburgh	rain	13	Jersey	rain	15	Munich	fair	21	Tel Aviv	sun	28
									Karachi	sun	35	Nairobi	shower	26	Tokyo	shower	20
									Kuwait	fair	34	Naples	sun	22	Toronto	cloudy	10
									L. Angeles	sun	24	Nassau	fair	30	Vancouver	rain	10
									Las Palmas	cloudy	24	New York	fair	15	Venice	sun	16
									Lima	fair	22	Nice	sun	20	Vienna	sun	20
									Lisbon	cloudy	19	Nicosia	sun	24	Warsaw	shower	15
									London	rain	16	Oslo	rain	3	Washington	fair	15
									Lux.bourg	cloudy	15	Paris	fair	18	Wellington	cloudy	15
									Lyon	sun	21	Perth	fair	22	Winnipeg	fair	3
									Madeira	fair	23	Prague	cloudy	18	Zurich	sun	18

FINANCIAL TIMES
COMPANIES & MARKETS

Monday October 31 1994

MARKETS THIS WEEK

JOHN PLENDER:
GLOBAL INVESTOR
The average central banker has been programmed to warn about the threat of inflation regardless of economic circumstance. Something is clearly up, then, when a well-known anti-inflationary hawk like Mr Eddie George, governor of the Bank of England, argues that the markets are too pessimistic about the inflationary prospect. Page 21

STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
Economists have usually assumed sleaze or corruption was an economic "bad", and left the more detailed theories to their colleagues in the political science department. Yet analysis of economies with very different styles of political crookedness has made them think again. Page 21

BONDS:
The decision by Moody's, the credit rating agency, to place Sweden's Aa2 foreign currency debt rating on review for a possible downgrading is likely to weigh heavily on the bond market when it opens today. Page 22

EQUITIES:
The Dow Jones Industrial Average jumped more than 55 points, to close the week at 3,930.66, after a stream of strong earnings. As of last week, 20 per cent of companies had reported profits 10 per cent or more above the consensus. In London, volatility in share prices is related directly to the dismal volume of business in the equity market. Page 25

EMERGING MARKETS:
Hopes are running high that the various exchanges in Africa are about to embark on an unprecedented growth path. Page 24

CURRENCIES:
Foreign exchanges will be focusing on the US and UK central banks this week, with the possibility that interest rates may rise in both countries. Page 24

COMMODITIES:
The London Metal Exchange today moves to new premises, which will double its space, allowing for expanded technological facilities to cope with rising trading volumes. Page 21

INTERNATIONAL COMPANIES:
Hungary is considering a quick sale of state shares in Matav, the national telecommunications company, that would dwarf all previous international equity offerings to come out of eastern Europe. Page 19

UK COMPANIES:
Caparo Group, the private UK steel and engineering concern, has bougt most of the assets of Sharon Speciality Steel of the US for $26m cash. Page 28

STATISTICS

Banks vie for Deutsche Telekom sale

By Andrew Fisher in Frankfurt

The German government will announce in the next few days which banks are to play the leading roles in the privatisation of Deutsche Telekom, with Goldman Sachs, the US investment bank, the most likely candidate to handle the international placing.

Deutsche Bank, Germany's biggest bank, and Dresdner Bank are expected jointly to head the overall issue, set for early 1996, under which a minority of the shares in the German telecommunications concern will be sold to raise at least DM10bn ($6.7bn). Out of more than 20 banks vying for the lead foreign role, Goldman Sachs has emerged as the favourite to become global co-ordinator.

As with the recent DM1bn partial privatisation of Lufthansa, the German airline, the bookbuilding method of selecting long-term quality investors from those keener on short-term gains will be used. The Lufthansa issue, led by Dresdner Bank, was heavily subscribed.

For the much larger Deutsche Telekom issue – the state-owned telephone monopoly's total value is put at some DM60bn – separate regional consortiums are also planned to accommodate US, European and possibly Japanese investors.

The choice of Goldman Sachs to head the international placing would irritate some non-German European banks which feel one of them should have this role, as Deutsche Telekom is a European concern.

UK merchant banks with experience of international flotations have taken part in presentations, or "beauty contests", in Bonn. They include S.G. Warburg, Barclays de Zoete Wedd, Kleinwort Benson, National Westminster Bank, N.M. Rothschild and Robert Fleming.

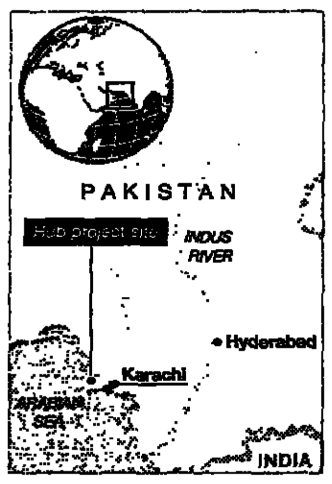
The other US banks which put submissions to the postal and finance ministries in Bonn – the official announcement will come from the former – include Morgan Stanley, Merrill Lynch, Lehman Brothers and Salomon Brothers. Leading Swiss and French banks have also been involved.

Because of tough global competition in investment banking, Deutsche Bank said on Friday it was putting its non-German investment banking activities in London. It will combine them with those of Morgan Grenfell, its UK merchant bank. International privatisations are among the areas in which the German bank wants to build up its strength.

Peter Montagnon and Farhan Bokhari report on a pioneering project-finance deal in Pakistan

Public and private meet at the Hub

After six gruelling years of preparation, it is finally done. The completion this weekend of a $30m share issue in Karachi effectively means the last piece of financing has fallen into place for Pakistan's $1.6bn Hub power project which will add 13 per cent to the country's generating capacity by 1997.



The project, in which Britain's National Power invested $100m for a 25 per cent equity stake, will almost certainly go down as a landmark in the private sector financing of infrastructure development in the third world.

Negotiated through eight changes of government in Pakistan, it required legal documentation weighing 28kg a set. So large was the cast involved that at one stage new participants found it virtually impossible to find a lawyer in London who was not constrained by conflict of interest.

Out of all this has come what National Power describes as a "trail-blazing" deal for financing private sector infrastructure projects that pioneers the use of World Bank resources. Traditionally it lends only to governments.

According to Mr Patrick Crawford of Morgan Grenfell, which advised on the deal, it has also involved the first successful international equity offer for a power station which had yet to be built.

Last but not least, the sponsors, including National Power and Xenel, a Saudi company which originally conceived the project, have had to reconcile awkward clashes between western banking and Islamic law which bars interest-bearing transactions.

The deal was born out of the need to increase electricity supply in a country whose development has been impeded by chronic shortages of power but whose government lacks the funds to develop new generating capacity. It provides for a consortium led by Mitsui and Ishikawajima-Harima Heavy Industries to build an oil-powered thermal power station with a gross capacity of 1,292MW. It will be operated by National Power.

Assembling the finance at a time when banks were unwilling to lend large amounts to developing countries was an awesome task. Essentially the structure involves a complex allocation of risk that prevents equity investors and lending banks having to shoulder too much of the burden.

Of the $1.78bn raised for the project, including $220m in standby credit, only $175m has been raised from international and local equity investors and $686m from international banks.

Thanks to guarantees provided by the World Bank, as well as France, Italy and Japan, the banks were spared the need to take on the political risk of default stemming from actions by the government. They have only taken on the commercial risk of the project itself. Despite its complexity, the 12-year credit proved popular and was more than twice subscribed, according to Citibank which led the syndication. A further buffer was provided through a $582m subordinated loan from World Bank's private sector energy development fund. Money from this fund is lent first to the government of Pakistan and then passed on to the project in a back-to-back transaction to get round the constraint on private sector lending by the bank.

That also helped reduce the need for outside equity. The international offer was about two times subscribed and traded at the end of last week at a premium of more than 10 per cent above its issue price, according to Mr Ric Haller of Morgan Grenfell which handled the sale.

Two years ago, he says, it would have been difficult to place the equity because of the troubled economic and political situation in Pakistan and because the fashion for emerging market issues had not developed. As it is, the company was able to offer the shares on a projected net real earnings yield of 17.3 per cent in dollar terms, thanks to the intricate web of operating arrangements struck by the project sponsors with suppliers and customers. "We had to make sure that National Power was going to be able to manage the plant within the parameters that were predicted and that the government of Pakistan, no matter what its hue, would live up to its commitments," he said.

"Where we are sitting today, we are sitting on a success story," says Mr Daniel Woodroffe, the project's chief executive. Bankers say it nearly foundered after Pakistan's Islamic sharia court ruled in 1990 that all interest-bearing transactions must stop. That called in question the participation of local banks who were due to contribute a rupee loan for the equivalent of $100m.

The then government of Mr Nawaz Sharif appealed against the judgment to the supreme court but, although the appeal has not been heard, investors have been given assurances that foreign private investors will not be affected by any change in the law.

Bankers say the willingness of National Power to invest as much as $100m helped boost confidence. "When we started, we did not have a remit to invest overseas," says Mr Graham Hadley, National Power executive director. "We looked at Hub as we started to move more overseas and decided that this was a project where the investment would prove attractive."

Perhaps the most daunting task of all was to assemble the various inter-dependent agreements in such a way that they would become operative at once. "The debt was conditional on the equity and the equity was conditional on the debt, and everything was conditional on the World Bank and the sponsors. Someone had to blink first," says Mr Haller.

What unlocked the bank loan in the end was Morgan Grenfell's decision, together with its parent Deutsche Bank, to underwrite the international equity issue instead of using the more conventional book-building approach.

Nonetheless the project remains a bold one. Up to 33 per cent of the power generated by Karachi Electricity Supply Corporation is lost in transmission line failures and power thefts, and many consumers have not paid their bills for years.

Since coming to office last year, the government of Mrs Benazir Bhutto has promised to press ahead with new laws to punish offenders and improve the quality of transmission facilities.

Investors in Hub will now wait to see whether the risk pays off. But, unlike Eurotunnel, that celebrated first-world project, Hub is running on schedule and within budget. There is every chance that Mr Hadley will be proved right when he says "the essence of what has been done here is eminently transferable. We will get this kind of package being put together again in Pakistan and other countries as well."

National Power takes another step

The Hub project marks an important step in National Power's ambitions to invest £1bn ($1.6bn) outside the UK by the end of the decade to compensate for loss of domestic market share to independent generators, writes David Lascelles. The privatised power generation company, the UK's largest, now has about 5 per cent of its generating capacity outside the UK, according to Mr Graham Hadley, managing director for international business development, and with Hub its overseas investment will amount to £250m. "That's starting to give us a track record", he said.

National Power's other investments include American National Power in Houston, the Pego coal-fired power station in Portugal, and a small share in a Spanish clean-coal technology plant. Projects in the pipeline include power stations in India and China. Mr Hadley saw prospects in the Netherlands, Spain, Portugal, Poland and the Czech Republic. The company is also looking at Morocco, Turkey, Thailand, Indonesia, the Philippines and Vietnam.

UBS seeks employee support in strategy battle

By Ian Rodger in Zurich

Union Bank of Switzerland is again urging its 22,000 Swiss employees to vote their shares in support of the directors in their proxy fight with Zurich broker-fund manager Mr Martin Ebner over the bank's strategy.

At the moment the battle centres on the proposal by the UBS board to convert the bank's registered shares into bearer shares, drastically reducing their voting power. It has called an extraordinary general meeting for November 22 to vote on the proposal.

In a second letter to employees on the issue, Mr Nikolaus Senn, chairman, and Mr Robert Studer, chief executive, have pleaded with employees to give the directors an unconditional general proxy for voting their shares.

"Unfortunately, a large number of employees have not sent in a proxy form for general meetings," the letter says. "In our view, this should be made out unconditionally, not only for the approaching general meeting, but also for the future."

Mr Kurt Schiltknecht, president of BK Vision, the Ebner controlled investment fund that is UBS's largest shareholder, said he regretted the letter. "In a good bank, the staff should be left to make their own decision."

UBS denied there was any pressure. "Naturally, the bank wants to convince its personnel" it said, and pointed out that an independent proxy holder had been engaged for shareholders who wanted their vote to be private.

The registered shares now have a par value only one-fifth of that of the bearer shares, but equal voting weight. UBS says BK Vision, which has an 18 per cent holding in them, seeks excessive influence over the bank on the cheap.

BK Vision is trying to rally a majority of votes in favour of substantial changes in the UBS board at next April's annual meeting when the terms of 10 of the 23 directors expire.

UBS employees, who can buy registered shares on very favourable terms, now hold about 12 per cent of them, carrying 6.1 per cent of all votes.

The registered shares have lost more than half of the effective 40 per cent premium they carried over the bearer shares since UBS revealed its proposal, causing dismay among holders.

This week: Company news

EURO DISNEY

More red ink as Mickey waits for its Discovery

Euro Disney, the France-based theme park, is expected to report continuing heavy losses when it publishes its results for the year to September 30 on Thursday. Some analysts have predicted losses of more than FFr1.6bn ($312m), down from losses of FFr5.3bn last year as the park continues to cope with its start-up costs.

The results will be the first since the park arranged a wide-ranging FFr13bn restructuring with its banks in June which was 80 per cent subscribed.

Mr Philippe Bourgignon, chairman, believes the results this year must be put in the perspective of the restructuring and will give little idea of its future likelihood of success.

He recently stressed that the park was still on target to break even by the end of the 1996 financial year, and that creditor banks were content with its performance so far.

Analysts and shareholders, however, will be closely examining many aspects of the results, and above all the attendance figures, which showed a downward decline in visitors to 9m last year from 9.8m the year before.

Euro Disney recently rejected reports driven by market speculation in the past few months that there had been a drop in attendance to fewer than 9m.

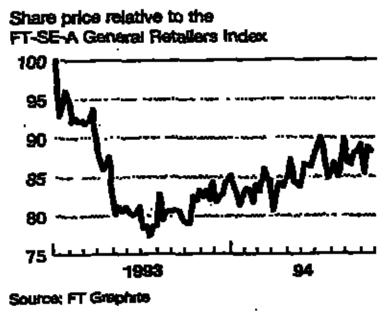
Other important aspects analysts will scrutinise include changes to the levels of expenditure by visitors to the park, and the impact of a large number of changes to the tariffs levied for hotels and restaurants.

The company is pinning its hopes on approaches including changes in management, a new marketing strategy and the opening next year of Discovery Mountain, its latest attraction.

Euro Disney's results come after Park Asterix, a smaller Paris-based theme park, reported that it had made profits for the first time this year, after opening in 1989.

Boots

Share price relative to the FT-SE-A General Retailers Index



Source: FT Graphite

BOOTS

Drugs arm's future holds the spotlight

Speculation over the future of Boots' pharmaceuticals division is expected to overshadow sharply improved interim figures from the UK retailing and drugs group on Thursday. Although the company is expected to highlight an increase of about 33 per cent in first-half profits, analysts are likely to focus on the outcome of the year-long review of the drugs business. The review was prompted by last year's withdrawal of the heart drug Manoplax, which left a gap in products under development. Boots officials insist they are under no pressure to sell the business, which remains both profitable and cash generative. Options include disposal, merger or a joint venture.

Names touted as buyers include Zeneca, Britain's third-largest drug group, and Medeva, another UK drugs company. Their interest is understood to have waned in recent months, only to be replaced by speculation on possible bids from Knoll, the BASF subsidiary, and Menarini of Italy.

Interim pre-tax profits are forecast to have risen from £174.6m to about £233m ($380m). Last year's figures were depressed by a £35m charge to cover the Manoplax withdrawal and a £5.1m write-off on Asilone, an antacid product. The chemists' chain, however, is expected to remain the most profitable division. Analysts expect an increased interim dividend of about 5.5p, against 4.9p last time.

OTHER COMPANIES

Philips expected to double net profit

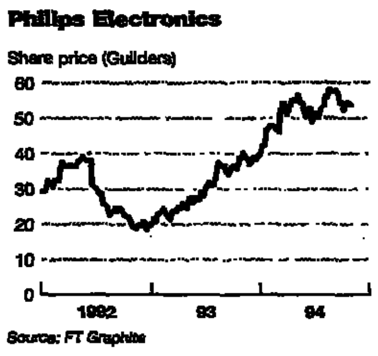
Philips: The Dutch electronics group will report third-quarter results on Thursday which are expected to confirm its return to financial health. Most sectors except communications systems are likely to have performed well. Forecasts call for a doubling of net profit from the Fl 133m ($77m) reported in the same period of 1993.

■ **Nissan Motor:** The Japanese carmaker will announce half-year results on Friday. Although the company is seeing firm sales in the US market with a 17.2 per cent rise in unit sales in August, earnings have been hit by the poor performance in the domestic market. Its domestic registrations fell 3 per cent in July in spite of a 12 per cent rise in the overall market and industry analysts expect Nissan's market share to fall further because of the lack of new models. The company forecasts unconsolidated half-year sales to fall 3 per cent to Y1,550bn ($16bn), and expects to post recurring losses of Y60bn.

■ **DSM and Akzo Nobel:** The Dutch chemicals groups are expected to benefit from the cyclical upswing that is boosting the worldwide chemicals industry when they publish third-quarter results tomorrow and on Wednesday, respectively. DSM, which recorded a loss in the 1993 third quarter, is expected to bounce back with a net profit before extraordinary items of between Fl 100m and Fl 130m. Akzo Nobel's net profit before extraordinaries is forecast to rise to as much as Fl 370m from Fl 239m.

Philips Electronics

Share price (Guilders)



Source: FT Graphite

■ **Skandinaviska Enskilda Banken:** Sweden's leading commercial bank is expected to put the country's banking crisis further behind it when it reports nine-month figures on Wednesday. The recovery has been driven by a sharp fall in loan losses, helping SE-Banken to compensate for sluggish lending and difficult bond market conditions.

■ **Den norske Bank:** Norway's biggest commercial bank will report nine-month figures tomorrow followed on Wednesday by Christiania Bank and on Friday by Uni Storebrand, the country's largest insurer. Results are expected to reflect continued improvement of the economy but could be hit by bond losses. Also due tomorrow is Hafslund Nycomed, the pharmaceuticals group.

Companies in this issue

Caparo secures Sharon assets in $26m deal

By Andrew Baxter

Caparo Group, the private UK steel and engineering concern, has clinched its bid to become a big player in the US steel market by buying most of the assets of Sharon Speciality Steel for $26m (£16.4m) cash.

A US court has finally approved the offer for Sharon, which has been in Chapter 11 of the US Bankruptcy Code since November 1992.

The UK group, founded and chaired by Dr Swraj Paul, the *Anglo-Indian businessman, has* paid a $3.5m deposit and expects to complete the deal on November 15.

The purchase will end a long battle by Dr Paul to buy Sharon, based in the steel town of Sharon, Pennsylvania.

In late July Caparo signed a letter of intent to buy Sharon, but slipped out of the running this autumn when a rival $35m bid emerged. When this fell through, however, Caparo was left with the field clear.

Caparo already has some steel products businesses in the US, notably Bull Moose Tube, acquired in 1988. The Sharon acquisition, however, will give Caparo its first steel-making facilities anywhere In the world.

Dr Paul estimates that Caparo will become a $1bn company by 1986, with $400m coming from Sharon. Last year, Caparo had world-wide group sales of £360m.

Sharon, which has had a chequered past and formerly employed 2,000 people, is not currently producing steel. Dr Paul says he hopes to restart production by April, with about 500 workers.

"I am delighted and relieved that we have finally bought Sharon," said Dr Paul, who has negotiated an agreement with the United Steelworkers of America on representation at the plant.

Apart from the purchase price, Caparo will spend an initial $20m to restart production at Sharon. The plant will produce about 1.25m tons of steel a year, with 900,000 tons coming from its electric arc furnaces and the rest, initially, from bought-in slabs.

Electric arc furnace capacity will subsequently be increased. Caparo is not buying Sharon's blast furnace – Dr Paul says he does not want to inherit any environmental problems.

GrandMet plans more expansion

Grand Metropolitan, the food and drinks group, plans a further expansion in central Europe of International Distillers & Vintners, its world-wide drinks business.

IDV Slovakia has been established to control the importation and distribution of all IDV brands sold in Slovakia, which together with the Czech Republic forms a significant market for the Malibu brand.

Daks Simpson rises to £1.95m

Daks Simpson Group, the clothing maker acquired by Sankyo Seiko in 1991, reported improved pre-tax profits of £1.95m on turnover of £36.1m for the six months to July 31.

Profits last time amounted to £1.21m on sales of £30.3m.

Earnings per share rose from 9.82p to 14.59p.

The production capacity of the two Scottish factories has been increased with the creation of 250 jobs.

Fyffes buys I£5m stake in Jamaican venture

By David Blackwell

Fyffes, the Dublin-based fruit and vegetables distributor, is *to pay I£5m (£4.94m) for 40* per cent of a new Jamaican banana company.

Jamaica Banana Holdings has been formed along with the Jamaican Government and Jamaica Producers Group, a Jamaican quoted producer, to acquire two large estates which together cultivate 3,000 acres of bananas.

The deal is part of the continuing privatisation of the Jamaican banana industry. The government is understood to have just 5 per cent of the new group.

Fyffes, which markets about a third of Jamaican banana production, said the existing arrangements would continue unchanged.

Earlier this week Fyffes made its sixth move in continental Europe in the last 18 months. It bought 50 per cent of Tropic International, a French fresh produce group which is expected to have sales of I£30m this year.

The consideration is understood to be about I£1.5m. The acquisition lifts Fyffes' total annualised turnover in France to I£100m.

Fyffes is now jostling with Geest and Dole for second place behind Chiquita in the European fruit distribution *market. In addition to France* it operates in Spain, Denmark, Holland and Germany.

Gresham House in the red

Gresham House, the investment trust, reported net losses of £95,000 for the half year to end-June against profits of £1.17m including an exceptional £1.16m credit.

Losses per share amounted to 2.2p (27.6p earnings).

Foreign investment jumped to $32.5bn in the first nine months, says KPMG

European groups 'on US buying spree'

By Nicholas Denton

UK, Swiss and other European companies have been on a buying spree in the US, according to a report by accountants KPMG Peat Marwick.

Led by Roche of Switzerland's $5.3bn (£3.35bn) purchase of Syntex Corporation, foreign companies invested *$32.5bn (£20.5bn) in outright acquisi*tions in the US in the first nine months of this year. Deals into the US were higher than at any time this decade, according to KPMG.

Takeover activity across the Atlantic rose 126 per cent on the corresponding period of 1993, said KPMG. Much of the increase came from deals of more than $500m – the total number of transactions was little changed.

Transatlantic M&A deals, like US domestic transactions, have been concentrated in a few sectors where consolidation is advancing most rapidly.

With SmithKline Beecham of the UK *buying Sterling Health, as well as* Roche buying Syntex, deals in the chemicals and drugs sector amounted to $11bn.

Sandoz of Switzerland paid $3.7bn for Gerber Products, a US food company, underpinning $6bn of acquisitions in the food and drink sector.

"A combination of a relatively weak dollar and the fact that the US economy is leading the emergence from recession makes the US an attractive place to seek acquisitions," said Mr Richard Agutter, chairman of KPMG's corporate finance network.

Some investment bankers said the *surge in transatlantic activity reflected* no more than the vitality of the US market. "The basic fact is that the US M&A market is dramatically up," said Mr Stephen Hester, joint-head of European investment banking for CSFB. "That is just as true of domestic as it is of transatlantic."

Investment bankers expect the flow of deals in the US to continue, as the restructuring that has driven acquisitions progresses. Some also report that US companies are beginning to look more seriously at expansion in Europe.

"Interest is there, even though volume is flat," said an M&A specialist *with one of the* largest US investment banks. "We expect activity in the opposite direction to pick up considerably."

However, cross-border European M&A activity is at its lowest level for several years, according to a recent survey by Securities Data Company.

Caught with its defences down

Weakened by financial difficulties, Scantronic is ripe for takeover, reports Richard Wolffe

The alarm bells are ringing at Scantronic Holdings as potential bidders prepare to raid the security components group.

Shares have plunged from a high of 89p this year to 20½p at the end of last week, as Scantronic's net debt climbed to £11.2m last June, up from £3.5m in March 1993.

Two weeks ago the company won shareholder agreement to raise £2.8m in new equity and borrowings. The deeply discounted offer of 16.1m shares at 10p is expected to raise £1.2m, and was a condition of new banking facilities of £1.6m.

The board announced there would be pre-tax losses of about £2.4m for the six months *to September 30, against prof*its of £1.4m last year. It also declared there would be no dividend payments, including preference dividends, for this year.

Last week Menvier-Swain, the emergency lighting and alarms manufacturer, announced its interest in making a bid for Scantronic.

The company – which reported pre-tax profits of £9.36m on turnover of £70.3m in the year to April – purchased 550,000 Scantronic shares to raise its stake to 1.64m shares, or 4.49 per cent of the company.

Ruth Keattch, analyst at Granville Davies, said: "I don't think the Scantronic board enjoys any sympathy with the institutional shareholders.

"They had a good business in the UK: a leading brand with probably 50 per cent of the intruder alarm systems market. But they took their eye off the ball and went on a mission to expand in the US, which was truly disastrous."

Scantronic's cash difficulties began last year with the acqui*sition of Alarmexpress Hold*ings, the UK security equipment distributor. In December, Scantronic placed 1.73m shares to fund growth at the new subsidiary.

By April the board acquired 20 per cent of Arius, the US distributor of security products. The investment, along with the Alarmexpress acquisition and expansion, cost Scantronic £5.3m.

In July the company announced the departure of its finance director, Mr Ray Dias, claiming that he had failed to alert the board to the twin impact of increased borrowing *and difficult trading condi*tions.

The company announced pre-tax profits of £1.89m (£1.27m) for the year to March 31, compared with a statement in July that it would make profits of at least £2.75m.

Turnover rose from £39.1m to £50.2m, but the core UK manufacturing business saw operating profits fall from £3.3m to £2.59m, primarily due to lower sales to the Continent.

Patrick Hickey, analyst at Henderson Crosthwaite, said: "At the end of the day, this is a case of management over-stretching its ability. The *tragedy is that it is basically* a good business in the UK, but it is not a product for the US.

'The tragedy is that it is basically a good business in the UK, but it is not a product for the US'

"Earlier this year they ran into problems because of a lack of financial controls. They ended up with a lot more stock and a lot less cash than they thought.

"There are also very heavy borrowings. Given the history of the past six months, there has to be a consideration that there may be financial holes."

However, Mr John Singer, finance director, refused to comment on the company's financial position.

Alongside Menvier-Swain, there are rumours that Silvermines, the Dublin-based electrical services and property group, is interested in making a bid.

In February, Silvermines made an agreed offer of I£5.17m for Molynx Holdings, the closed circuit television and security systems maker.

"Menvier-Swain would be a perfect buyer because they are big in emergency lighting and *fire alarms, which is very simi*lar to intruder alarm technology," said Ruth Keattch.

"Silvermines would also love to be bigger in the security systems market. If Menvier-Swain are serious they are the most credible bidder, but it could evolve into a bit of an auction if someone like Silvermines makes a bid."

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Air Products (US)	Carburos Metalicos (Spain)	Industrial gases	£279m	Buying from Banesto
Daewoo (S Korea)/ Automobile Craiova (Romania)	Rodae Automobile Daewoo (JV)	Car manufacture	£192m	New foreign investment benchmark
Scotgen Pharmaceuticals (US)	Porton International (UK)	Pharmaceuticals	£96.3m	Trumping Ipsen bid
DSC Communications (US)	NKT Electronik (Denmark)	Telecoms equipment	£91m	DSC wants a lead position
Tenneco (US)	Heinrich Gillett (Germany)	Auto components	£71m	Boosting Euro-presence
Beaufour Ipsen (France)	Porton International (UK)	Pharmaceuticals	£65.5m	Board-recommended bid
Morgan Stanley (US)/ People's Construction Bank (China)	CICC (JV)	Banking	£63.2m	Investment bank venture
SGS-Thomson (UK/Italy)/ Shenzhen SEG (China)	JV	Semiconductors	£48.4m	60/40 ownership split
Rentokil (UK)	Foliage Plant Systems (US)	Plant services	£5m	Indoor plants expansion
Newman Tonks (UK)	Randi Fabrikerne (Denmark)	Architectural hardware	£3.1m	Continues European growth

NEWS IN BRIEF

BARIS HOLDINGS has received applications for 3.72m of the 7.99m shares available in its recent 9-for-8 placing and open offer. The take-up represents about 66.4 per cent of the total offered, other than the 2.39m which were subject to an irrevocable commitment not to *subscribe. Subscribers have* been procured for the outstanding 4.27m shares.

CHARNOS pre-tax losses jumped to £2.32m (£667,000) in the six months to June 25 on sales of £24.9m (£22.7m). Losses per share were 78.2p (22.96p). The company, which makes hosiery and lingerie, said budgeted sales for the final weeks of the year should result in a pre-tax profit comparable to last time's £5.2m. It could not make a firm prediction because of uncertain factors.

EUROCOPY, the photocopier supplier, has acquired Copystatic Midlands for £1.42m cash. The price includes repayment of intercompany debts.

FINSBURY UNDERWRITING Investment Trust shareholders have approved a change to its investment policy enabling it to invest in corporate members of Lloyd's syndicates in corporate form and managing agents.

HEATH (CE): Heath Shipping Services, group's investment property subsidiary, has sold *its effective interest in two* commercial properties in Corby, Northants. Net proceeds amount to some £5.43m, surplus of £600,000 over original cost.

KENMARE RESOURCES has completed a placing of 4.1m ordinary shares, 95,238 of which have been bought by Mr Michael Carvill, managing director. The £430,000 raised will be used for the ongoing operations of the group.

LADBROKE GROUP has sold its 45,600 sq ft Charter Court office development in Slough to AMP Asset Management for £11.1m, a small discount to book value.

MENSTON INVESTMENT owns or has received valid acceptances in respect of its offer for Aitken Hume International of 38m ordinary shares, 82 per cent of the issued share capital, and 4.09m preference shares (99.5 per cent). Offers are extended until November 22.

NORTHUMBRIAN RESIDENTIAL Properties has received *acceptances for First Manches*ter Properties offer in respect of 555,000 shares, representing 85.25 per cent of FMP's issued share capital. Of this total, elections have been received in respect of 291,800 shares to accept the partial cash alternative. The partial cash alternative is now closed and the offer is unconditional.

OSPREY COMMUNICATIONS is buying Roger Maber & Associates, a Hampshire-based advertising company, for up to £665,000 in shares.

QUICKS GROUP has acquired the Dundee operations of Cordiner's Garage for £1.18m cash. The deal includes the purchase by Quicks of trade debtors estimated to total some £300,000.

COMPANIES AND FINANCE

Hungary considers early sale of telecom shares

By Nicholas Denton

Hungary is considering a quick sale of state shares in Matav, the national telecommunications company, that would dwarf all previous international equity offerings to come out of eastern Europe.

At the top of the agenda is a proposal to sell up to 10 per cent of Matav through a private placement with international institutional investors which could raise up to $300m.

Finance ministry and Matav officials said they had not reached a final decision but were exploring options, including that of a private placement. "That is the question we are discussing night and day," said Mr Mark von Lillienskiold, an executive director of Matav.

A closed offer of Matav shares targeted at western pension and emerging market funds would provide a foretaste of a more comprehensive initial public offering planned for 1995-1996. The mandate to advise on the initial placement is expected to be one of the most lucrative awarded in the region and hotly contested by investment banks.

Although about $4bn in western portfolio investment has flowed into Russia and other east European countries in the last year, most equity has been purchased in small tranches on secondary markets.

The sale of $200m to $300m worth of Matav would far surpass the $70m issue by Hungarian retailer Fotex to become the largest single international equity offering by an east European company.

An issue of this scale is too much to be absorbed solely by funds specialising on eastern Europe or emerging markets in general. Mainstream pension funds, however, are expected to require more complete accounts than Matav can provide at the moment.

Budgetary difficulties have encouraged the Hungarian authorities to bring forward the Matav privatisation. The new Socialist government has declared it will use privatisation revenues to pay down the national debt.

Deutsche Telekom of Germany and Ameritech of the US, which last December took a joint stake of 30 per cent in Matav, have also softened their opposition to an early offering.

Ameritech in particular had opposed a quick flotation because the price would have been below that at which it entered and it would have had to write down its investment. Salomon Brothers, hired by Matav to study an IPO, recommended that it wait until late 1995 or early 1996.

However, Deutsche Telekom and Ameritech now appear ready to accept a compromise whereby the government gets rapid proceeds through a private placement but a full IPO takes place in a more leisurely fashion. They are also discussing a possible increase in their stake.

JVC sees return to the black this year

By Michiyo Nakamoto in Tokyo

JVC, the Japanese manufacturer of consumer audio-visual equipment, has posted a recurring first-half loss and passed its interim dividend. The group, however, managed to increase sales slightly in an extremely competitive market.

Non-consolidated sales in the six months were Y259.7bn ($2.66bn), compared with Y251.4bn a year earlier. However, JVC still suffered a loss of Y1.9bn, although this was an improvement over the Y9.8bn loss made in the previous first half. The net loss was cut to Y2.9bn from Y10.6bn.

JVC, which has been undergoing restructuring, said the yen's rapid appreciation against leading currencies had offset efforts to reshape the company.

In addition, JVC, like other Japanese consumer electronics groups, has faced tougher competition in its own market.

The consumer electronics market in Japan has been increasingly characterised by lower-priced products as consumers hold back from expensive purchases. Cheap audio-visual products have been coming into the country from lower-cost countries in the rest of Asia.

JVC said it expected further turbulence as the yen continued to remain at a high level while competition in the audio-visual market was likely to remain fierce.

It is forecasting that sales in the full year will reach Y530bn, against Y507.7bn, and hopes to return to the black with recurring profits of Y1bn, against a loss of Y19.5bn.

Bologna bank fights L2,000bn bid

By Robert Graham in Rome

Credito Romagnolo, the Bologna-based regional bank, is expected to call in foreign advisers to help ward off a hostile bid by Credito Italiano, Italy's fifth largest commercial bank.

The bid, offering L19,000 per share for 48.2 per cent of Credito Romagnolo's stock, was rejected at a special board meeting on Friday. If Credito Italiano were successful it would create Italy's largest private bank.

The offer by Credito Italiano is worth L2,000bn ($1.3bn) and was launched last Wednesday after concerted buying of Credito Romagnolo stock. Credito Italiano holds just over 2 per cent of the shares.

The move has already profoundly shaken the banking sector.

Credito Romagnolo, which is controlled by a core of shareholders led by Olivetti chairman Mr Carlo De Benedetti, is understood to be considering recruiting at least one and perhaps two foreign advisers.

Those being mentioned over the weekend included Morgan Stanley and Goldman Sachs International.

Their task would be to assess the value of Credito Romagnolo and to draw up a possible list of "white knights" that might be interested in helping fight the takeover.

Under existing statutes, no shareholder of the Bologna-based bank can own more than 10 per cent.

Credito Italiano would need the support of at least 20 per cent of the shareholders to call a special meeting to amend the statutes and allow majority control.

Objections to the deal have centred on the price and the threat to Credito Romagnolo's identity.

Although the price represents a sharp premium on the L13,674 pre-bid value, those shareholders tempted to sell are thought unlikely to accept the first offer – not least because it covers less than half the stock.

The stronger objection comes from those who believe a highly profitable regional bank such as Credito Romagnolo risks losing its identity in the bigger and more ungainly Credito Italiano.

Local Bologna politicians have begun to organise a campaign to prevent the bank being taken over, in spite of Mr Lucio Rondelli, chairman of Credito Italiano, saying that such fears were unfounded.

Benetton-led move changes shape of Italian retailing

By Robert Graham

The shape of the Italian stores market will change significantly as a result of IRI, the state holding company, awarding its GS-Autogrill group to a consortium headed by Benetton, the clothing group.

The Italo-Swiss consortium, headed by Benetton, put in the winning bid for GS-Autogrill, the last part of the SME foodstuffs group to be privatised, late last Thursday.

The deal marks the first large scale diversification by Benetton into a new area of business. It also signals the entry of a new foreign player, Movenpick, the Swiss hotel and restaurant group, into a sector whose development lags behind other EU countries.

The winning consortium also includes Mr Leonardo Del Vecchio, whose Luxottica spectacles group has been one of the most successful business ventures in northern Italy. Like the Benetton family, this represents a considerable diversification.

The award will be ratified by a special IRI shareholders meeting on November 4. Until then the treasury, the sole shareholder, has indicated it would not reveal the terms of the deal. However, the bid by the Italo-Swiss consortium is believed to have valued GS-Autogrill at L2,100bn ($1.33bn), some L300bn above its market capitalisation.

The bid was won against strong competition from a purely Italian consortium headed by Rinascente, the stores group controlled by the Agnelli family. In choosing the Italo-Swiss consortium IRI appeared to be swayed by a desire to bring in new blood.

Originally, premier Silvio Berlusconi's Fininvest group, which has a large stores division through Standa, was interested. But analysts said Standa did not pursue a bid partly because of concern over raising a conflict of interest between Mr Berlusconi's ownership of Standa and his role as prime minister.

GS-Autogrill is the last of the three divisions owned by SME, the foodstuffs group that has been privatised by IRI over the past 18 months. The other two were Italgel (frozen foods) and Cirio Bertoli De Rica (canned foods, oil, and milk). In 1993 GS-Autogrill made a L132bn net profit on turnover of L4,068bn.

IRI controls 62.3 per cent of SME, and the offer was for 32 per cent. The winning consortium will be obliged to launch an offer for at least 20 per cent of the minority shares; IRI has guaranteed to sell the bulk of its remaining holding to the consortium.

One of the terms of the award is understood to be a commitment to keep the stores and restaurant elements of GS-Autogrill together for five years. One of the attractions of the group has been to split the two.

Disposals keep Vard out of red

By Karen Fossli in Oslo

Vard, the struggling Norwegian cruise group, saw pre-tax losses, before extraordinary items, widen to NKr108.4m ($16.52m) for the nine months to September, from NKr79.3m last time.

However, the figures were distorted by the disposal of the ferry business and the sale of one cruise ship. This resulted in one of Vard's three cruise businesses being sold and the remaining two being reorganised.

The pre-tax result, after extraordinary items, was a profit of NKr542.1m, against a loss of NKr148.9m last year. There were extraordinary gains of NKr650.4m, against charges of NKr69.6m a year earlier.

Group operating profit slipped to NKr440m from NKr479m as sales fell by NKr379m to NKr5.08bn.

Net profit was NKr390.28m, against a loss of NKr107.21m.

Argentaria profit edges higher

By David White in Madrid

Consolidated earnings at Argentaria, the majority state-controlled Spanish banking group, edged up by 2.1 per cent before tax in the first nine months of the year to Pta84.77bn ($684m).

Net profit, excluding minority interests, showed a stronger rise of 8.8 per cent to Pta57.72bn.

The results came after a 19 per cent increase in loan recoveries to Pta31.69bn and a 46 per cent reduction in provisions for loan losses and country risk to Pta35.5bn.

This was offset by sharply lower earnings from securities, which fell by 88 per cent to Pta3.33bn from Pta23.54bn.

Operating income for the nine months improved by 10.5 per cent to Pta101.67bn. The group, in which the government stake is due to be reduced to a minority through a further share offering next year, said this reflected a "satisfactory" performance in ordinary banking business and success in containing costs.

The next privatisation tranche, originally expected this year, has been put back because of the weak stock market trend, and is now not expected before the spring.

Almost 50 per cent of the shares were sold in two placements last year, raising Pta296bn for the Spanish treasury.

The group has launched a Pta35bn investment plan to expand its retail banking network over the next three years. This follows its failure in April to take over the troubled Banesto group, which went instead to Banco Santander.

Argentaria's total assets at the end of September stood at Pta11,100bn, 7 per cent higher than a year earlier.

NEWS DIGEST

Esselte ahead at nine months

Esselte, the Swedish office products group, saw profits rise by 27 per cent to SKr261m ($36m) from SKr205m in the nine months to September, writes Christopher Brown-Humes in Stockholm.

Sales advanced by 2 per cent to SKr8.82bn and margins improved but sales in the US, its most important market, were affected by a product substitution programme. Lower hedging income increased costs by SKr40m to SKr143m.

The company expects full-year profits to be around SKr400m, compared with SKr301m last year.

Mr Bo Lundquist, chief executive, said sales had developed well in western Europe and the Far East. "The market for office products is continuing to increase, while the market for graphic art products is declining," he added.

The strongest divisional performance came from Esselte Dymo, the main office products unit, where operating profits rose to SKr215m from SKr167m.

NBH warns of downturn

North Broken Hill Peko, the Australian resources group, has warned shareholders that it expected a fall in profits in the current year, due to lower iron ore prices and the absence of any early improvement in the uranium market, writes Nikki Tait in Sydney.

Mr Michael Deeley, NBH Peko chairman, told the company's annual meeting that the Northparkes mine would not start copper production until 1995-6. Meanwhile, he said, exploration expenditure would be rising.

He conceded that group sales would strengthen generally as economic growth picked up in the industrialised world, but said that the group expected operating profits to be "slightly below" those of 1993-4. "We do not expect significant abnormal profits to arise during the year," he added.

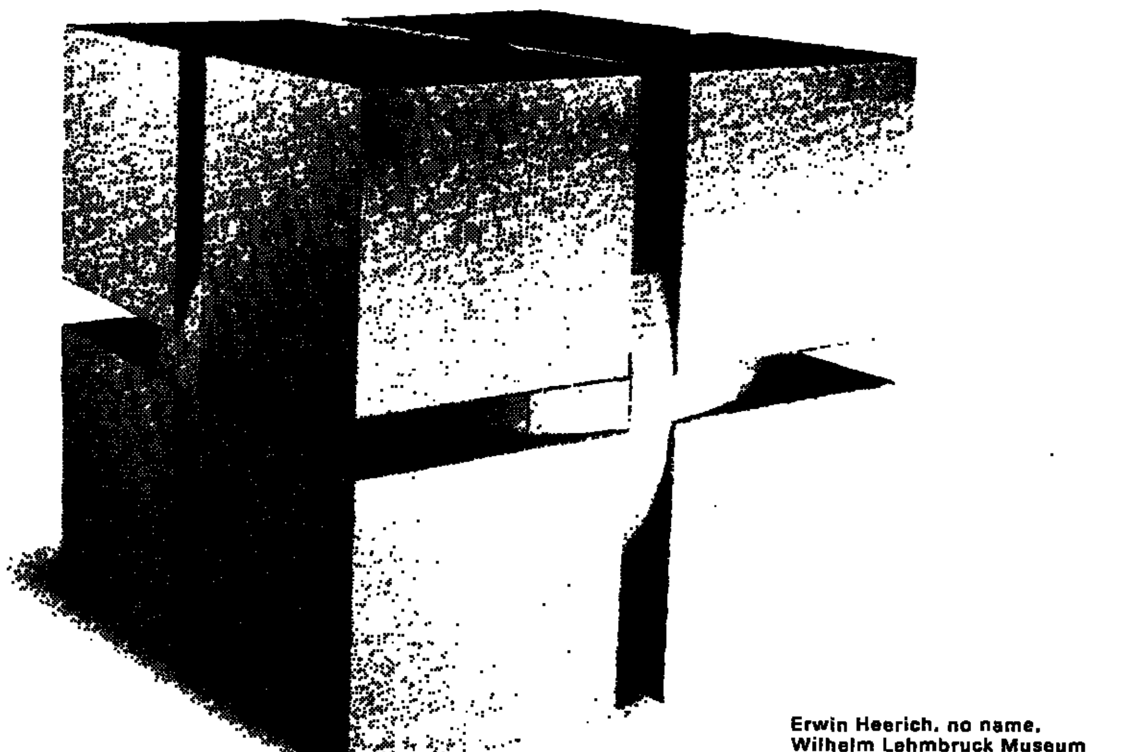
In the year to end-June, North Broken Hill Peko made an operating profit after tax of A$185.3m, (US$136.2m) which included net abnormal profits of A$65.2m.

Malaysian sales by East Asiatic

The East Asiatic Company, the Danish-based trading group, has sold its Malaysian plantation interests and its 25 per cent share in the Carlsberg Brewery in Malaysia to Malaysian Mosaics, a locally listed investment group, writes Hilary Barnes in Copenhagen.

The deal will give East Asiatic an extraordinary profit of DKr600m ($100m) and cash proceeds will be about DKr1.1bn.

The agreements involve the sale of all EAC's shares in EAC (Malaysia) Berhad and buying back shares in parts of the business EAC wishes to continue to operate.



THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbott Mead Vickers 4.5p
Alexon 5% Pf. 1.75p
Allied Irish Bks. Prim. Cap. FRN $138.72
Applied Distribution 1.3p
Armour Tst. 1.42p
Baldwin 1.6p
Baltic 1p
Bankers Inv. Tst. 8% Db.'23 £4.0
Do. 10½% Db. 2016 £5.25
Bank Nova Scotia Fltg. Rate Db. 2000 £145.83
Batleys 10% Cm. Pf. 5p
Blundell-Perm. 7¼% Un. Ln.'90/95 £3.625
Brit. Gas Int. 9½% Gtd. Bd. '01 C$95.0
Bruntcliffe Aggregates 0.4p
BSM 2.15p
Burmah Castrol 6% Cm.1st Pf 2.1p
Do. 6% Cm 2nd Pf. 2.1p
Do. 8% Cm. Pf. 2.8p
Do. 7¼% Cm. Pf. 2.5375p
Burns Phil. Treas. 5½% Gtd. Sb. Bd. '04 $166.52
Calderburn 2.9p
Campbell Soup $0.28
Capital Shop. Centres 6% Sb. Bd.'06 3.767p
Chemical Banking $0.44
Chemring 4.9% Cm. Pf. 2.45p
Citicorp Retrac. Nts. Oct.'96 $430.10
Citicorp Bank. Gtd. FRN Jan.1997 $137.08
Collateralised Mtg. Sec.4 Mtg. Bckd. FRN '27 £97.01
Do.6 Mtg. Backd. FRN '27 £112.41
Do.12 Class A Mtg. Bckd. FRN '28 £98.11
Cookson 7% Non-Cm. Pf. 1.225p
Creston Land 6% Cv. Ln. 3p
Daiwa Int. Fin. 8⅜% Sb. Bd.'03 $8375.0
Do. Sb. FRN 2001 $1334.93
Dartmoor Inv. 6¼% RPI-Lkd Db. '05 £3.835
EFT 0.525p
Electron House 2p
El Oro Mining 20p
Eng. Prop. 9⅞% 1st Mtg. Db.97/2002 £4.9375
ERF (Hldgs) 10% Cm. Pf. 5p
Estates Prop. Inv.10% 1st. Mtg. Db.'11 £5.0
Do. 10% Sec. Ln. 93/98 £5.0
Evans of Leeds 11% 1st Mtg. Db. '25 £5.50
Exploration 10p
Export-Import Bk.Japan 9% Gtd. Bd.'96 Ecu90.0
First leisure 2.12p
F & C Special Utilities Inv. 1.1p
Do. Package Units 1.1p
Forte 9.1% Un. Ln. 95/2000 £4.55
Gartmore Value Invs. 12.34% Db. '95 6.17p
Gen. Motors Acc. Can. FRN Nov.'96 C$437.69
Global Stock Invs. Ptg. Pf.
Dollar Cash Port. $0.175
Do. European Equity Portfolio DM0.255
Do. Far East Equity Port. $0.30
Do. Global High Inc. Port. $0.25
Do. Japanese Small Co's Portfolio $0.125
Do. UK High Inc. Port. 13p
Do. US Small Co's Port. $0.16
Gold Greenlees Trott 2p
Grosvenor Dev. 7½% Cv. Ln. '99 3.75p
Guildhall Prop. 6% Cm. Pf. 2.1p
Guinness Fin. 9⅝% Gtd. Nts.'98 C$96.25
Holt (Joseph) 12p
ICN Pharm. 6¾% Sb. Bd. '01 $33.75
Independent Insurance 4p
Intermediate Cap. 3.75p
Jackson (Wm) 7½% Cm. Pf. 2.625p
Japan Air. 5.45% Bd. '02 Y545000.0
Do. 5.5% Bd. Oct.2003 Y550000.0
Kansai Int. Air. 6¼% Gtd. Bd.'99 $312.50
Do. 9% Gtd. Bd. '96 $450.0
Lasmo Oil Prod. Units 3.317p
Latham (James) 8% Cm. Pf. 4p
Legal & Gen. 6¾% Cv. Sb. Bd. '08 £33.75
Lionheart 7% Cv. Pf. 3.5p
Litho Supplies 2.73p
Lon. Merchant Sec. 7¾% Cv. Un. Ln. 2000/05 £3.875
Lowes $0.045
Mayne Nickless A$0.17
McAlpine (A.) 9% Cm. Pf. 4.5p
Mitsubishi Chem. 4.4% Nts. '97 Y440000.0
Nat West Bank Var. Rate Cap. Nts. 2000 $1387.15
Newarthill 6.775% Cm. Pf. 3.3875p
NHL (1) Dfd. Int. Mtg. Bckd. FRN '28 £118.20
Nova Scotia (Prov.) 16¾% Ln.'11 £8.375
Pacific Horizon Inv. Tst. 0.11p
Peel Hldgs. 9⅞% 1st Mtg. Db. '11 £4.9375
Peel South East 10% 1st Mtg. Db. '26 £5.0
Do. 11⅝% 1st Mtg. Db.'18 £5.8125
Do. 12½% 1st Mtg. Db. 15/20 £6.25
Port. & Sunderland News. 6% Cm. Pf. 3p
Do. 11½% 2nd Cm. Pf. 5.75p
River & Merc. Tst. Stppd. Pf. 2.9549p
Royal Bk. Can. Fltg. Rate Db. '05 $43.59
Scottish Inv. Tst. 4% Db. £2.0
Do. 4¼% Db. £2.125
Do. 5% Db. £2.50
Scottish & New. 4.6% Pf. 2.3p
Do. 6.425% Pf. 3.2125p
Seagram Distillers 12⅜% Db. '12 £6.1875
Sec. Loan Fin. Mezz. Mtg. Backd. FRN '18 £183.76
Shires Inv. 4.1p
3i 10¾% Bd. 2001 £107.50
TMC PIMBS First Fin. No.2 Jul.'29 £150.30
Do. Issue No.5 Apr.2029 £76.18
Do. Issue No.7 Jan.2029 £72.27
Do. Issue No.4B Oct.2029 £152.11
Toronto-Dominion Bank C$0.20
Transamerica $0.50
Transatlantic A Pf. 12p
Do. B 6% Pf. 3p
Do. 5½% Sb. Bd. '09 3.2847p
TR City of Lon. Tst. 10¼% Db.'20 £5.125
TR European Growth Tst. 1.7p
Do. Ptg. Sub. 1.7p
TR High Inc. Tst. 1.5p
Try 0.5p
USF&G $0.05
Vaux 7% Pf. 2.45p
Do. 4½% A Pf. 1.575p
Do. 6½% A Pf. 2.275p
Wellington Hldgs. 1.2p
Wells Fargo FRN 2000 $45.21
Western Mining A$0.04
WEW 10½% Pf. 99/2002 5.25p
Wimpey (Geo) 2p

■ **TOMORROW**
Ameritech $0.48
Anglo Am. Ind. 5⅝% Cm. 1st Pf. R0.05625
APV 3.15% Pf. 1.575p
Do. 4.55% Pf. 2.275p
Do. 5.25% Pf. 2.625p
Astec (BSR) 0.4p
AT&T $0.33
Beattie (James) A 1.5p
Bell Atlantic $0.69
BellSouth $0.69
BET 4½% 2nd Db. £2.25
BPP Hldgs. 3.1p
Bristol 3½% Db. £1.75
Britannia Grp. 0.5p
British Inv. Tst. 5¼% Pf. £1.8375
British Mohair 6% Cm. Pf. 2.1p
BTP Cv. Pf. 3.75p
CrestaCare 0.26p
Dunedin World. Inv. Tst. 3.5% Cm. Pf. £1.75
Edinburgh Inv. Tst. 7½% Db.'95 £3.75
Enterprise Oil 6.5p
Exchequer 3% Gas 90/95 £1.50
Filofax 1p
First Choice 1.4p
Fleming Inc. & Cap. Inv. Tst. 1p
Do. Units 1p
Fleming Mercantile Inv. Tst. 1.675p
Fyffes Cv. Pf. IR4.125p
Genfinance 11.31% Ln.'07 £56.55
Gibraltar 11⅞% Ln.'05 £5.9375
Glaxo 7¾% Un. Ln. 85/95 1.9375p
Grafton IR3.5p
Graseby 2.7p
Hardys & Hansons 5% Cm. 1st Pf. 1.75p
Do. 4% Irrd. 1st Mtg Db. £2.0
Huntleigh Technology 2.75p
Int.Stock Exchange 10⅛% Mtg. Db. '16 £5.0625
Jackson Grp. 0.5p
King & Shaxson 5% Pf. 1.75p
Kleinwort Small. Co's Inv. Tst. 1.1p
Laing (J) 6.4% Cv. Pf. 3.2p
Lamont Hldgs. 6% Cm. Pf. 1.05p
Do 5.6% 2nd Pf. 2.8p
Do. 10% 3rd Pf. 5p
Lincoln National $0.41
Lloyds Chem. Rd. Ptg. Pf. 2005 3.75p
Londonderry Port & Harbour 3½% Cons. £1.75
Marshalls 10% Cm. Pf. 5p
Merchants Tst. 4% Perp. Db. £2.0
Mid Southern Water 10% Db. 1995/98 £5.0
Montreal 3% Perm Db. £1.50
National Home Loans FRN '95 $1.47
Nottingham 3% Irrd. £1.50
Nynex $0.59
Ocean 4.71p
Pacific Telesis $0.545
Parkland 3.15% Pf. 1.575p
Pentland 1.25p
Reading 3½% £1.75
Retail 6½% 3rd Pf. 2.275p
Sanderson Bramall Motor 1p
Scottish Agric. Sec. 13% Db. 97/99 £6.50
Scottish Inv. Tst. 3½% Cm. Pf. £1.75
Do. 3.85% Cm. Pf. £1.925
Do. 4.55% A Pf. £2.275
Sema 1.6p
Singer & Friedlander 1.4p
Southwestern Bell $0.395
Treasury 6¾% Ln. 95/98 £3.375
West Tst. 2.3p
Whitbread 4½% 1st Pf. 1.575p
Do. 6% 3rd Pf. 2.1p
Do. 7% 3rd Pf. 2.45p
Wills Grp. 0.385p

■ **WEDNESDAY**
Assoc. British Ports 2p
GKN 8p
Henderson EuroTrust 1.85p
Do. Units 1.85p
Taylor Woodrow 0.75p

■ **THURSDAY**
Albany Inv. Tst. 1.35p
Bradford & Bing. Bldg. Scty. FRN Feb.'99 £143.36
Brightstone Prop. 1p
Cornwell Parker 4p
Do. A N/Vtg. 4p
DRS Data & Research 1p
Fairhaven Int. $0.005
Gowrings 1p
Haynes Publishing 5p
Headway 0.7p
Healthcall 1.5p
Highcroft Inv. Tst. 2p
HTR Japanese Small. Co's Tst. 0.45p
Lloyds Smaller Co's Inv. Tst. 1.75p
Do. Package Units 1.75p
OGC Int. 1.8375p
Plasmec 1.5p
Rubicon 2.8p
Shell Trans 11.2p
Steel Burrill Jones 3p
TT 10⅞% Cv. Pf.'97 5.4375p
Treasury 15¼% Ln.'96 £7.625

■ **FRIDAY**
ASW 3p
Baynes (Charles) 0.7p
Benson Grp. 0.23p
Bentalls 0.6p
Dawsongroup 1.8p
Delta 10¾% Db. 95/99 £5.375
Edinburgh Fd. Mngrs. 8p
Excalibur Grp. 0.4p
Halifax Bldg. Scty. FRN '97 £277.78
Intrum Justitia 1.1p
Life Sciences 1.6p
Lincat 4.7p
Marley 2.1p
Mayborn 2p
Mersey Docks & Harbour 3.3p
New Zealand 11¼% 2008 £201.25
OIS Int. 0.5p
Pearson 5.75p
Quayle Munro 6p
River & Merc. Am. Cap. & Inc. Tst. 1.8p
Servomex 2.1p
Stat-Plus 4.32p
SWP 0.2p
T & N 7.5p
Transport Dev. 3p
Usher (Frank) 4.5p
Walker (Thomas) 0.5p
Watmoughs 1.7p
Yorkshire Food 0.8p

■ **SUNDAY**
Nightfreight 1.13p
Treasury 7% 2001 £3.50
Whitbread 5¼% Un. Ln. 95/99 £3.625

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Europe Energy, 50, Stratton Street, W., 10.00
TR European Growth Tst., 3, Finsbury Avenue, E.C., 12.30
BOARD MEETINGS:
Finals:
Edinburgh Inca Tst.
Fleming Chinese Inv. Tst.
Intl. Comm. & Data
Lowland Inv.
Interims:
Abtrust New Thai
Anglo St. James
Bertam
Beverley Group
Campbell & Armstrong
Danka Bus. Systems
Fairbriar
GBE Intl.
Newport
Northumbrian Fine Foods
Panther Secs.
Rackwood Mins.
Rowe Evans
St. Davids Inv. Tst.
Toye & Co.

■ **TOMORROW**
COMPANY MEETINGS:
Bryant Grp., Cranmore House, Cranmore Boulevard, Solihull, W. Midlands, 12.15
Burn Stewart Distillers, Trades Hall, Glassford Street, Glasgow, 10.00
Go-Ahead Grp., Swallow Hotel, High West Street, Gateshead, 4.00
HTR Japanese Smaller Co's Tst., 3, Finsbury Avenue, E.C., 12.00
IAF Grp., 12, Curzon Street, Mayfiar, W., 10.00
Lloyd Thompson, Beaufort House, 15, St. Botolph Street, E.C., 12.30
BOARD MEETINGS:
Final:
Scot. Natl. Trust
Interims:
Capital Gearing Tst.
Celsis Intl.
Powerscreen
Rexmore
Safeland
Schroder Korea Fund
Siam Selective Growth
Thames Water
Westbury

■ **WEDNESDAY NOVEMBER 2**
COMPANY MEETINGS:
Lincat, Station Road, North Hykeham, Lincoln, 10.30
MR Data Mngmt. Grp., Howard Hotel, Temple Place, Strand, W.C., 12.00
BOARD MEETINGS:
Finals:
Bellway
Broadgate Inv. Tst.
Cooper (Frederick)
On Demand Info
Interims:
German Smaller Co's. Inv.
Jermyn Inv. Tst.
Mezzanine Cap. & Inc. Tst. 2001
Sainsbury (J)

■ **THURSDAY NOVEMBER 3**
COMPANY MEETINGS:
Goodhead, Chaucer Int. Estate, Launton Road, Bicester, Oxon., 10.00
MAI, Glaziers Hall, 9, Montague Close, S.E., 3.00
Sirdar, Cedar Court Hotel, Wakefield, 12.00
SWP, The Registry, Royal Mint Court, E.C., 10.30
Waterman Partnership, Apothecaries Hall, Blackfriars Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Euromoney Publications
Kwik Save
MMT Computing
Smart (J) Contractors
Usborne
Interims:
Boots
Finsbury Tst.
German Inv. Tst.
Quadrant Grp.
Raglan Props.
Seton Healthcare

■ ***FRIDAY NOVEMBER 4***
COMPANY MEETINGS:
Bellwinch, Hilton National Hotel, Empire Way, Wembley, 12.00
Fortnum & Mason, 181, Piccadilly, W., 10.00
Logica,
Lyles (S), Forte Crest Hotel, Clifton Village, Brighouse, 12.00
Ricardo Grp., Royal Aeronautical Society, Hamilton Place, W., 10.30
BOARD MEETINGS:
Interims:
Banner Homes
Burtonwood Brewery
Cook (William)
Oceana Cons.
TBI

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

NOVEMBER 9
Polish Business Day
CBI Conference, supported by the DTI, designed to provide companies with practical information on specific trading or investment opportunities. Programme includes keynote address by Prime Minister Pawlak, presentations by senior Government representatives, together with sectoral workshops and networking opportunities.
Contact: Sandra Aldred, CBI Conferences
Tel: 071 379 7400
24h fax-on-demand: 071 240 1248
LONDON

NOVEMBER 9
Presentations for Professionals by Professionals
At the Mermaid Theatre, a seminar on creating effective presentations. From presentation techniques and use of language, to AV design, slide production, etc. Businessmen, stand-up comedians and actors demonstrate how to make lasting impressions. Instructional, utterly enjoyable - a must for all presenters. Keynote speaker: Alan Dibbo, Chartered Institute of Marketing.
Contact: E Wilhams, Executive Presentations
Tel: 071 837 8199 Fax: 071 837 8190
LONDON

NOVEMBER 11
Insider Dealing Investor Relations Seminar
Half-day intensive seminar, sponsored by IR Society, on Regulation, Archer, handling DTI enquiries, price sensitive info. Venue: Law Society. Speakers: Stock Exchange, Norton Rose, Legal & General, Cable & Wireless.
Contact: Bass Associates
Tel: 071 497 2225 Fax: 071 497 9295
LONDON

NOVEMBER 12-14
Machine Translation: Ten Years On
This international conference is jointly organised by Cranfield University and the BCS Natural Language Translation Specialist Group. Papers centre on achievements in the past ten years, also on research into expected developments in the next ten years. Applications are discussed with significant relevance to commercial and business life.
Contact: Douglas Clarke or Alfred Vella
Tel: +44 (0)234 750111
Fax: +44 (0)234 750728
E-Mail: a.vella @ cranfield.ac.uk
CRANFIELD

NOVEMBER 15
International Mobility
CBI conference addresses findings from survey on current practices and new developments in international remuneration policies, particularly in newly emerging economies of Central and Eastern Europe and the Pacific Rim. Conference examines practical approaches to remuneration package, cost control and provides company case study examples.
Contact: Sandra Aldred, CBI Conferences
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 15 & 16
FT Ninth Petroleum & Gas Conference
This event, timed to coincide with PetroTech 94, will focus on European oil refining and the market to the year 2000, considering current and future European capacity, new refining investment and environmental issues.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

NOVEMBER 15 & 16
Strategies for High-Involvement Leadership
Controlling change; concentrating on high pay-off activities; creating partnerships; strengthening trust; motivating and enhancing team performance; and stimulating innovation. These are some of the issues included in this interactive briefing designed to train executives to operate effectively in empowered organisations.
Contact: Rachel Thomas/Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
ASHDOWN PARK

NOVEMBER 15/16
Practical Dealing course - Money Market
Training in traditional Cash market dealing and short term derivatives (Futures and FRAs) - risk identification and evaluation, product pricing, position management - with opportunities to test theories learnt in dealing role-play and other practical exercises. For Corporate treasury personnel, bank dealers, marketing and support staff. £480.00 + VAT.
Lywood David International Ltd.
Tel: 0959 565820 Fax: 0959 665821
LONDON

NOVEMBER 15-16
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores the relevance and practicability of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

NOVEMBER 15-17
Public Sector Purchasing
Buying into the future. Six conference sessions a day over three days to update public sector managers on developments and issues in public sector purchasing, including Electronic Tracking. Co-sponsored by Touche Ross. Free entry on preregistration to public sector employees.
Contact: Lucy Rouse, Government Group
Tel: 071 582 9191
LONDON

NOVEMBER 16
Brazil: Prospects for trade and Investment
A one day seminar designed to give an overview of key cultural, institutional, investment and economic issues surrounding trade with Brazil. Supported by the Banco do Brasil, UK Embassy of Brazil and DTI.
Contact: Management Development Division
Tel: 0524 594013 Fax: 0524 381454
LANCASTER

NOVEMBER 16/17
The Digital Information Revolution
Market Opportunities for Multimedia created by the Superhighway
A major high-level, interactive industry/Government Conference, providing the first opportunity for senior representatives from commerce and industry to address the key issues with Government participation in an open forum.
Contact: Julia Moulton, Status Meetings
Tel: 01730 266544
LONDON

NOVEMBER 17
Kenya
CBI conference plus workshops, in association with Standard Chartered Bank, considers current developments, opportunities and future prospects for investors and exporters. Keynote address by President Daniel T arap Moi and speakers from the high powered delegation of Ministers and senior officials.
Contact: Nicola Martin, CBI Conferences
Tel: 071 379 7400
24 hr fax-on-demand: 071 240 1248
LONDON

NOVEMBER 21 & 22
Third Central Banking Conference
Features leading speakers from the central banks of China, India, France, Hungary, Finland, Austria, Poland, Venezuela and The Bank of England, EMI and IMF. Sponsors The World Gold Council, Barclays Precious Metals and Clifford Chance.
Details: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

NOVEMBER 21-22
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
24 hr Fax-on-demand 071 240 1248
UNIVERSITY OF WARWICK

NOVEMBER 22
Political Risk Outlook for the Oil Industry in 1995
The oil industry has become well experienced in evaluating the risks it faces in its business, particularly when planning major new investment. Yet the greatest uncertainties which affect the security of supply and price and which may fundamentally change the economics of new projects are political risks.
Contact: The Institute of Petroleum, Conference Department
Tel: 071 467 7100
LONDON

NOVEMBER 22-23
Logistics Update '94
8 Sessions - Individually Bookable
Logistics Overview; Warehouse Automation; Environment; Third Party Distribution; Low Cost Software; Coding & Labelling; Order Picking; Security & Disaster Recovery.
Enquiries: Conference Manager, NMHC Ltd
Tel: 01234 750323 Fax: 01234 752040
CRANFIELD UNIVERSITY

NOVEMBER 23
Negotiation and Change - Employee Relations in the Regulated Industries
This CRI seminar examines the changing employment structures, pay incentives and flexibility since privatisation and compares the national with international perspectives. Speakers from the CBI, TUC, GMB, Mercury Communications and Eastern Electricity. Cost £299 + VAT.
Contact: Leigh Sykes, CRI
Tel: 071 895 8823 Fax: 071 895 8825
LONDON

NOVEMBER 23
The Private Finance Initiative: The Latest Opportunities for the Private Sector
A one day conference. Speakers include 11 Government Ministers (Messrs Dorrell, Gummer, Lang, Redwood, Eggar, Forsyth, Forth, Freeman, Watts, Young and Sackville); senior industrialists and specialist advisers.
Contact: City & Financial Conferences
Tel: 0276 856966 Fax: 0276 856566
LONDON

NOVEMBER 23-24
Commercial Parallel Processing
Experiences and Practice
Speakers from Churchill Insurance, WH Smith, Mercury Communications, and Humberside County Council amongst others will discuss the benefits and their experiences of this significant technology, which allows scalable low cost computers to be expandable to very high performance in an office environment.
Contact: Hattie Park, IBC Technical Services Ltd
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 24
CRINE: Turning the Vision into Reality
At this conference, leading names from the UK oil industry and Government will emphasise the importance of working together to achieve the cost reduction initiatives. Examples of what has already been achieved and case histories covering new North Sea projects will be covered.
Contact: Aberdeen Chamber of Commerce
Tel: 0224 212626
ABERDEEN

NOVEMBER 24-25
Protection & Exploitation of Intellectual Property in Russia, FSU, Eastern & Central Europe
Comprehensive review of developing legislation, protection of rights, patent, trade mark, copyright & licensing issues. Special focus on Technology Transfer. Speakers include lawyers & representatives from industry and experienced practitioners from throughout the region. INTERFORUM
Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

NOVEMBER 24/25
FT Manchester Postgraduate Fair
This is the first postgraduate fair to be held in Manchester. This fair will provide exhibitors with a unique opportunity to attract the highest calibre of students for postgraduate courses. Booking deadline for exhibitors - October 21.
Contact: Kay Day at Manchester
Tel: 061 275 3952
MANCHESTER

NOVEMBER 24 & 25
Offshore Trust Administration/ Offshore Trusts & Trustees
IPC have arranged two one-day conferences on related aspects of the offshore world, which compliment each other perfectly, but which can be attended separately if desired. Further details from International Professional Conferences Ltd
Tel: 061 445 8623
JERSEY

NOVEMBER 28-29
Global Emerging Markets Investment Management
Major International conference on global emerging debt and equity markets looking at CIS, Eastern Europe, Africa, the Mediterranean Rim; Asian and Indian Subcontinent, Latin America and the Carribean. Programme designed for international portfolio investors and asset allocators and emerging markets specialists.
Contact: Alison Elgar, Dow Jones Telerate Ltd
Tel: 071 832 9532 Fax: 071 353 2791
LONDON

NOVEMBER 28 & 29
City Intensive Seminar
Sponsored by THE CORPORATION OF LONDON and KPMG, this briefing covers the structure, markets, flow of funds, regulation and world position of the City. Designed for recent entrants, corporate finance and treasury staff and overseas financial executives.
Contact: Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

NOVEMBER 29 & 30
Positive Management of Workforce Restructuring
Seminar and Workshop. There is no easy solution to the problems of workforce restructuring. But managed with skill, the impact on the company and those who must leave can be massively reduced. This workshop is designed to illustrate through practical case study material how to manage restructuring positively.
Contact: Rachel Thomas/Sarah Williams
IBC Technical Services
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

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Tel: 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 29-30
Managing Corporate Transformation:
The UK's premier event on planning, implementing and sustaining organisational and cultural change. This two-day conference includes frank discussion of why so many initiatives fail and explores proven methods for achieving critical buy-in and support for new organisation structures and working practices.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
LONDON

DECEMBER 1
Internationalisation: Power & Energy Services. The Business Opportunities for UK Companies
Key speakers from industry and commerce, will outline current and future strategies for maximising the potential of the world industrial power market.
Details from: Judith Mackenzie, The Institute of Energy, 18 Devonshire Street, London W1N 2AU
Tel: 0171 580 0008 Fax: 0171 580 4420
LONDON

DECEMBER 1
Europe and the Arab World - "Breaking The Barriers - New Political & Business Opportunities
A one-day conference supported by the League of Arab States and CAABU involving major European and Arab figures. Conference includes a European grants workshop.
Full details from MEC Conferences
Tel: 071 924 2980 Fax: 071 924 2991
LONDON

DECEMBER 2
Derivatives - The New Frontier of Tax Planning
With the increasing number of new products and strategies coming onto the market, this conference will help you decide whether your company should be using derivatives and if so, how you can evaluate the worth of the different products on offer. Learn how derivatives can be used as part of your corporate strategy to minimise tax.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

DECEMBER 5-6
Introducing, Managing and Supporting Flexible Working
Teleworking. Information Technology Architectures, Managing the Flexible Workforce
Speakers from organisations including National Association of Teleworkers, Royal Mail, BT and National Westminster Bank will draw together the essential elements of IT, Human Resources and Operations Management required to implement and operate a successful flexible electronic organisation.
Contact: Hattie Park, IBC Technical Services Ltd
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

DECEMBER 7
How to Win Competitive Proposals
Competition is intensifying. The pressure to perform to increasingly high standards beings with the proposals process. This one-day conference will ask senior buying specialists to outline their proposals process, the criteria used for the selection of suppliers and case study examples of recent high value proposals selection processes.
Director Conferences
Tel: 071 730 0022
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DECEMBER 7-8
Succeeding with Teams:
practical strategies for designing, implementing and driving the team-based organisation. An international two-day conference specifically designed to help senior executives understand the fundamental issues involved in designing and implementing a team-based organisation.
Contact: Business Intelligence
Tel: 081-543 6565 Fax: 081-544 9020
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DECEMBER 8
Dispute Resolution in the International Oil and Gas Industries
This conference will consider recent interest within the international oil and gas industries in dispute resolution and arbitration in respect both of disputes within the industry and of external disputes which affect the industry, such as those regarding territorial jurisdiction.
Contact: The Institute of Petroleum, Conference Department
Tel: 071 467 7100
LONDON

DECEMBER 14 & 15
Information Systems for Learning
Conference and Interactive Workshop
Through practical case studies, this conference will explore how your information management systems can work in line with a Learning Organisation to drive major business improvement. This event will focus on how to harness the collective knowledge of an organisation and foster a learning culture.
Contact: Rachel Thomas or Sarah Peace
IBC Technical Services Limited
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

EXHIBITION

MARCH 1-3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
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Tel: +44 (0) 1895 625194
Fax: +44 (0) 1895 624447
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DECEMBER 1-4
Expo-Pakistan
The first Trade Fair in Britain for over a decade Expo-Pakistan will provide British business persons a unique opportunity to see the extensive and diverse array of Pakistan's products: textiles, garments, gems and jewellery, ceramics and sanitaryware, onyx and marble giftware, carpets, sports goods and hand-crafted furniture. And much, much more.
Contact: Mr M Athar Tahir, Pakistan High Commission
Tel: 071 235 2044 Ext: 2199
Fax: 071 235 8731
LONDON

INTERNATIONAL

NOVEMBER 8-9
European Union Aid for Development Conference
Business Opportunities in EC external aid projects to the value of 5 billion ECU annually outlined, including PHARE/JOPP, TACIS, MED, A/LA, and ACP. Networking with EU and new member state companies. Procurement opportunities for manufacturers/suppliers. 200 page EUROAID GUIDE on EU aid programmes included.
Contact: Société Générale de Développement S.A.
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

NOVEMBER 23
Advanced Software Solutions in Transportation and Distribution
Seminar for business and technical managers showing use of practical applications of logic programming software in the transportation and distribution markets. Leading international companies present state-of-the-art systems. Includes panel discussion and vendor displays.
Contact: Philip Kay, tel: +33 1 6019 3738
Al Roth, tel: +44 253 358081
PARIS

NOVEMBER 23 & 24
FT - Doing Business with Spain
This annual conference, arranged with Expansión and Actualidad Económica, will take as its theme 'Spain Competing in Europe', focusing on economic recovery, competition and liberalising markets.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
MADRID

NOVEMBER 29 - DECEMBER 1
10th World Airports Conference
This conference will consider the two big issues currently facing airport planners: Airport Capacity and Development Funding. Papers presented on new airports: efficient use of existing airports; competition to keep facilities in balance with demand and advantages/disadvantages of privatisation. Also latest airport developments in Pacific Rim, South Africa and Europe.
Contact: Carol Chin, Institution of Civil Engineers
Tel: +44 (0)71 839 9803/2
Fax: +44 (0)71 233 1743
HONG KONG

DECEMBER 5-6
Competitive Intelligence
Seminar for managers who want to learn how Competitive Intelligence supports both operational effectiveness and strategic positioning. Topics include aims and role of Intelligence in firms, collection methods, analytical techniques, organisation, and counter-intelligence. Principal lecturers are former professional intelligence officers.
Contact: Business Research Group
Tel: 022 929 1900 Fax: 022 788 0824
GENEVA

DECEMBER 6-9
Refining, LNG & PetrochemAsia94 (RLPA94)
The only show in Asia to address the downstream oil and gas industry. RLPA94 returns with 100+ exhibitors and an international conference addressing the theme "Technological Innovations and Enhancements for Sustainable Development". Listen to 30 distinguished experts share their knowledge on the latest technological innovations to achieve sustainable development.
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SINGAPORE

JANUARY 18-20
International Construction Exhibition - BUILD Prague '95
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Contact: Roy Davis
Tel: 071 321 2929
PRAGUE

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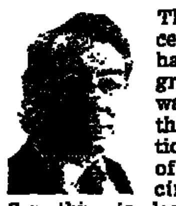
FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / John Plender

Risks of the Southern Comfort zone



The average central banker has been programmed to warn about the threat of inflation regardless of economic circumstance. Something is clearly up, then, when a well-known anti-inflationary hawk like Mr Eddie George, Governor of the Bank of England, argues that the markets are too pessimistic about the inflationary prospect.

Cynics may conclude that the need to talk his bond book is temporarily taking precedence over Mr George's disinflationary zeal. Current high real rates of interest are prohibitive for government borrowers everywhere. So who is right: the governor or the markets? And why are bond markets suddenly making central bankers look like monetary doves?

In the end the question turns on the nature of default risk. The markets are saying that current levels of government debt are unlikely to be serviced in full, especially in what economist David Roche of Independent Strategy likes to call the Southern Comfort countries – a category in which he includes Sweden and Finland, and on occasion the UK, along with Italy, Spain, Greece and Portugal (see accompanying rake's progress-type chart).

Others whose debt-to-GDP ratios would qualify them for club membership include Canada and Belgium.

The dismal calculus of debt is that real rates of interest are not only much higher than potential GDP growth rates in these countries; the gap is now so wide that it is difficult even for countries with strong governments to run a primary budget surplus (excluding interest) big enough to stop the debt increasing.

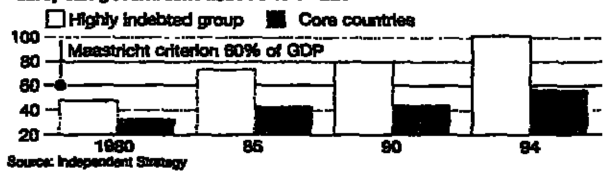
Yet the markets clearly do not expect a formal default. Most of the Southern Comfort countries with substantial foreign currency denominated debts enjoy much lower rates of interest on the foreign component of the debt stock than on their domestic IOUs. It follows that investors are demanding an increased risk premium against the possibility of an internal default, whereby governments monetise debt by borrowing from the domestic banking system – the modern equivalent of printing money.

Living with debt

Required turnaround in general government primary budget to stabilise debt/GDP

	1994 primary bal/GDP	Required primary bal/GDP	Required fiscal adj/GDP	1994 government debt/GDP
Belgium	5.0	3.3	1.7	146.3
Italy	0.9	5.5	-4.6	118.3
Spain	-2.0	2.5	-4.5	64.2
Sweden	-7.0	5.0	-12.0	92.9

European government debt as % of GDP



Source: Independent Strategy

Whether the markets are right to assume that the foreign debt will still be serviced is another matter. The consequence of internal default through inflation is likely to be an overvalued real exchange rate, followed by a devaluation that will increase the real cost in domestic currency of servicing the foreign investors' bonds.

True, export earnings will also rise in response to the exchange rate change. But the relevant external debt is owed by the government, not the corporate sector. The more important question is whether, in an inflation-induced political and economic crisis, the reduced cost of servicing domestic debt will leave room to look after the external debtors. The experience of the Latin American debt crisis offers no encouragement on this score. And where countries are running a primary budget deficit, such as in Sweden and Spain (see table), holders of foreign currency debt are much more heavily at risk than the market recognises.

Total return in local currency to 27/10/94

% change over period	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.09	0.04	0.09	0.10	0.16	0.11
Month	0.42	0.20	0.41	0.45	0.69	0.46
Year	3.56	2.31	5.63	5.81	8.25	5.41
Bonds 3-5 year						
Week	-0.10	-0.02	-0.37	-0.35	0.74	-0.45
Month	-0.47	-0.64	0.49	0.27	1.06	0.92
Year	-2.87	-0.60	1.02	-0.68	1.25	-0.43
Bonds 7-10 year						
Week	-0.29	-0.03	-1.11	-1.15	1.09	-0.56
Month	-0.86	-1.14	0.47	-0.48	0.60	1.58
Year	-7.88	-1.90	-4.08	-7.66	-5.44	-4.15
Equities						
Week	-0.2	-1.2	-2.5	-0.7	-1.6	-1.1
Month	1.1	0.7	-2.2	-2.3	-10.8	0.9
Year	3.3	-3.2	-2.3	-10.5	8.2	0.0

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

What would happen if it came to the crunch? An obvious model would be the period under the last Labour government when fiscal rigour was imposed on the UK with a little arm-twisting from the International Monetary Fund. But there was also help, at that time, from global inflation and negative real rates of interest on Britain's external debt. No such help will be forthcoming in a world choc-a-bloc with bond market vigilantes. Nor will a government that is running a primary budget surplus necessarily feel the need to call on the services of the IMF.

Default need not happen, of course. Both Ireland and Denmark have shown that debt stabilisation through fiscal adjustment is possible. With high real rates, the benefits from fiscal discipline are striking and immediate. Once markets detect signs of political will, the virtuous circle of falling rates, lower debt service, reduced budget deficits and shrinking risk premia can be quickly established.

The snag is the scale of the problem. Consider Sweden, where David Roche estimates that it would take a monumental fiscal adjustment of 12 per cent of GDP just to start stabilising the public debt. Yet Sweden has the highest level of public spending in the developed world – over 70 per cent of GDP last year – for good reason: the people like their welfare state. Yet they also feel over-taxed.

The message is that judgements about bond yields in individual countries are more than ever to do with politics. And it seems unlikely that the more general problem of high real rates will go away quickly, since the pressure on capital markets remains formidable. While the level of savings in the OECD is significantly lower than in the period before 1974, debt has been rising inexorably. The OECD projects that between 1978 and the end of this year net public sector debt will have risen from 21 per cent to 42 per cent of GDP.

That suggests, pace the central bankers, that there could indeed be a serious inflationary problem. The markets cannot convince themselves that electorates are prepared to meet the ever-soaring bill for the welfare state. If the vigilantes are nodding, it is in being over-optimistic about the servicing of foreign currency indebtedness. But sooner or later the Southern Comfort zone will deliver a default. The more interesting question is whether the UK will be a victim or beneficiary of the resulting flight to quality.

Economics Notebook

An economics of corruption

Sleaze can have political costs, but what about the economic side of the equation? In the past, economists usually assumed corruption was an economic "bad", and left the more detailed theories to their colleagues in the political science department. Yet analysis of economies with very different styles of political crookedness has made them think again.

Drawing on their experience helping to implement reforms in formerly communist countries, two Harvard economists, Andrei Shleifer and Robert Vishny, have come to the conclusion that being able to bribe politicians is not always a bad thing. As always, it depends on the options.

One way to see bribes in a more positive light is to view them as a furtive form of taxation. Instead of paying for high public sector wages through general taxation, people in corrupt countries end up footing the bill more directly, bribing officials in return for passports, import licences, or other forms of patronage.

At best, this sort of bribe is like a "hypothecated", or earmarked, tax. The official is performing a service – stamping a passport with the correct visa, for example – and the bribe allows the user of the service to pay for some of the labour costs directly. In this ideal case, taxpayers who never go abroad might even benefit, because corrupt customs officials should insist on lower wages than honest ones.

When bureaucratic and political interference is widespread, it is more difficult to see bribes as an extra tax for public goods. But in these circumstances, paying officials not to do their job is better than paying them to do it. When individuals and businessmen face a web of cumbersome rules and regulations, the economy could end up more productive if bribes prevent pointless restrictions from being enforced.

In the real world, of course, the effects of corruption will rarely be so benign: the very fact that bribes must be kept secret will make them less efficient than a more transparent revenue-raising system. Unless the "going rate" for a given service is very well known, the additional uncertainty will severely undermine the prospects for investment and growth.

But just as there are better and worse ways to collect taxes, some systems of corruption will be a lot more harmful to the economy than others. Predictably, the two economists argue that the costs will depend on whether the market for political favours is competitive, and how well it is regulated.

When there are plenty of officials in a position to provide a particular good, bribes will be kept down because the public can always seek a lower price elsewhere.

Corruption is more of a problem when officials have a degree of monopoly power: awarding import licences in a particular sector, for example. This could mean a very high "tax" on the companies concerned, leading to artificially high prices. Nevertheless, it will rarely be in the official's interest to put all his customers out of business.

The real trouble comes when doing business in a given market involves buying off not one, but dozens of individual monopolists, each asking to be paid off for providing (or forgetting about) a particular licence or permit. If there is nothing regulating who can ask for bribes and how much they can ask, firms may simply move abroad if they can, or else give up doing business altogether.

Unco-ordinated, bureaucratic fiefdoms will tend to corrupt themselves out of a living: the economy becomes so burdened with the cost of corruption that it simply ceases to function. The monopolists need to co-ordinate their activities, and for that there must be a single source of power to enforce the system.

According to the authors, this explains why some countries have managed to cope with high levels of corruption better than others. Where there is one mafia or political party effectively controlling the system, only "insiders" can demand bribes, and they will be penalised if they demand more than the going rate. This was probably the case in Soviet Russia. Now, however, the country has the most damaging combination of all: thousands of people with an instinct for working the system, and almost no central authority capable of regulating their actions.

Whether corruption is viewed as a tax, or a way of reducing regulation, neither argument suggests that corruption is optimal. Indeed, in the latter case, many silly regulations may be imposed by officials, precisely in order to earn money taking bribes to ignore them. The bribes may lessen the negative effects of these rules, but it would obviously be better not to have them in the first place.

More generally, companies that specialise in currying political favour will devote less time and resources to making a better product. If firms would otherwise be able to compete on their merits, widespread corruption is clearly worse for the economy.

This is consistent with various studies suggesting that corrupt economies tend to have low rates of investment and growth. As Profs Shleifer and Vishny note; "corruption goes hand in hand with political control. The empirical result that corruption is bad for growth simply reflects the fact that heavy government regulation is bad for growth." As ever, competition between politicians will be the best way to cure the system.

Stephanie Flanders

*see "Corruption", Quarterly Journal of Economics, Autumn 1993 and "Politicians and Firms", Harvard Mimeo, July 1994.

COMMODITIES

Metal exchange moves house

With many of its contract prices at or near recent highs and volumes booming in most of its markets, the London Metal Exchange could hardly have chosen a more auspicious moment for today's move to bigger premises.

At about 26,000 sq ft the purpose-built premises in Leadenhall Street in the City doubles the exchange's space, allowing the provision of expanded technological facilities to cope with rising trading volumes.

Total turnover this year is expected to grow by between 20 and 30 per cent from 1993's record of 35.28m lots, taking the average daily trading value to about $5bn (£3.1bn).

Traders may have little leisure to savour their new surroundings, if last week's performance is anything to go by. After a hectic five days, all six of the LME's base metals contracts ended with net gains, notably copper, the exchange's flagship, which rose by nearly 4 per cent, and aluminium, up 4.2 per cent.

Fears remain that the speed of the recent price rises could result in sharp corrections for "overbought" markets. But the bulls will have been encouraged by the fact that Friday's bout of end-of-the-week profit-taking generally found good support not far below ruling price levels.

The LME will meet fresh competition from tomorrow, when the Shanghai Metals Exchange launches standard futures for lead, zinc, nickel and tin. But there seems no reason for concern that its pre-eminent position in international metals trading could seriously be threatened.

● Other events this week include a three-day conference, beginning today in Vancouver, Canada, on Latin American Mining and, possibly, the publication of the keenly-awaited official assessment of frost and drought damage to the 1995-96 Brazilian coffee crop. Uncertainty about this crop and weather prospects in coffee-growing regions has led to a slow-down in trading activity at the London Commodity Exchange and a substantial retracement in contract prices.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 28 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY OCTOBER 27 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	172.12	3.1	157.20	105.90	135.07	154.08	-5.8	3.60	173.10	156.70	106.02	134.74	154.90	189.15	149.36	156.82
Austria (18)	181.32	-2.0	165.59	111.56	142.28	142.16	-14.6	1.13	181.85	164.62	111.38	141.55	141.40	198.89	167.46	177.14
Belgium (35)	169.17	4.0	154.50	104.08	132.75	129.50	-10.7	4.26	169.73	153.65	103.96	132.11	128.61	177.04	149.33	150.03
Canada (103)	136.58	0.6	124.73	84.03	107.17	133.50	2.5	2.54	136.26	123.35	83.46	106.06	133.08	145.31	120.54	132.66
Denmark (33)	252.29	2.1	230.41	155.23	197.98	202.53	-11.3	1.47	255.74	231.52	156.64	199.06	203.48	275.79	230.27	236.95
Finland (24)	200.12	62.4	182.76	123.12	157.03	193.38	29.1	0.73	201.41	182.33	123.36	156.77	192.10	201.41	116.65	123.47
France (101)	170.51	-3.1	155.72	104.91	133.80	138.19	-15.2	3.14	168.10	152.17	102.96	130.64	135.12	185.37	159.34	169.41
Germany (58)	143.02	2.0	130.61	87.99	112.23	112.23	-11.4	1.64	142.58	129.07	87.33	110.96	110.96	150.40	128.37	132.62
Hong Kong (56)	380.77	-22.2	347.75	234.28	298.81	377.76	-22.2	3.16	377.73	341.95	231.35	294.02	374.75	508.56	341.29	360.57
Ireland (14)	208.88	12.8	190.77	128.52	163.92	183.81	-0.8	3.44	208.31	188.57	127.59	162.14	181.92	216.60	171.86	174.00
Italy (58)	78.94	15.1	72.10	48.57	61.95	91.01	3.8	1.72	77.07	69.77	47.20	59.99	87.98	97.78	57.88	68.54
Japan (468)	161.56	24.1	147.55	99.40	126.78	99.40	8.3	0.77	162.34	146.96	98.43	126.36	99.43	170.10	124.64	148.48
Malaysia (97)	547.46	-7.5	499.98	336.84	429.61	538.26	-12.3	1.56	542.71	491.30	332.40	422.44	533.30	621.63	430.71	470.79
Mexico (18)	2126.47	-10.9	1942.04	1308.35	1668.68	7882.34	-1.6	1.28	2118.68	1917.96	1297.65	1649.12	7939.63	2647.08	1696.28	1848.56
Netherland (19)	220.32	10.7	201.22	135.56	172.90	170.04	-3.7	3.40	218.14	197.48	133.61	169.80	167.09	220.32	187.01	195.09
New Zealand (14)	76.01	11.9	69.42	46.77	59.65	65.57	1.7	3.71	75.44	68.29	46.21	58.72	65.20	77.59	59.22	66.22
Norway (23)	204.73	14.0	186.97	125.96	160.65	182.27	-0.6	1.81	205.21	185.77	125.69	159.73	181.26	211.74	165.52	180.65
Singapore (44)	396.96	8.0	362.54	244.24	311.51	269.18	-1.2	1.57	397.43	359.78	243.42	309.35	269.22	399.01	294.66	322.85
South Africa (59)	334.57	26.2	305.55	205.85	262.54	294.33	17.5	2.17	338.89	304.97	206.34	262.22	293.43	342.00	202.72	212.68
Spain (38)	141.87	1.8	129.56	87.29	111.33	135.03	-10.5	4.32	140.60	127.46	86.24	109.59	132.79	155.79	128.88	142.51
Sweden (36)	240.31	22.4	219.47	147.85	188.58	255.69	6.5	1.57	242.34	219.38	148.43	188.64	254.59	242.34	176.83	203.83
Switzerland (47)	162.30	1.4	148.23	99.86	127.38	126.80	-14.0	1.82	161.28	146.00	98.78	125.54	125.09	178.56	143.64	148.76
United Kingdom (204)	203.28	-0.9	185.65	125.07	159.52	185.65	-9.7	4.10	201.72	182.61	123.55	157.02	182.61	214.96	181.11	191.54
USA (515)	193.37	1.8	176.60	118.98	151.74	183.37	1.8	2.62	190.13	172.12	116.45	147.99	190.13	196.04	178.95	190.52
EUROPE (707)	173.79	3.2	158.72	106.93	136.38	149.67	-8.5	3.12	172.51	156.17	105.66	134.28	147.29	178.56	154.79	161.30
Nordic (116)	231.81	22.3	211.70	142.62	181.80	210.60	4.3	1.41	233.85	211.69	143.23	182.02	209.98	233.91	173.19	181.63
Pacific Basin (747)	170.91	17.8	156.08	105.16	134.12	110.21	4.2	1.09	171.51	155.26	105.05	133.50	110.17	176.86	134.79	156.57
Euro-Pacific (1454)	172.00	10.9	157.09	105.83	134.97	126.03	-1.9	1.96	171.81	155.53	105.23	133.73	125.14	175.14	143.88	158.41
North America (618)	189.85	1.9	173.38	116.81	148.98	189.25	1.9	2.81	186.76	169.09	114.40	145.39	188.19	192.73	175.67	188.93
Europe Ex. UK (503)	164.38	4.6	140.99	94.98	121.14	126.70	-9.0	2.62	153.27	138.75	93.97	119.30	126.68	158.12	136.94	141.91
Pacific Ex. Japan (279)	261.85	-8.7	239.14	161.11	205.48	232.18	-13.1	2.78	260.98	236.24	159.84	203.13	231.33	298.21	232.54	234.75
World Ex. US (1634)	173.89	10.8	158.81	106.99	136.45	129.90	-1.5	1.87	173.71	157.25	106.39	135.21	128.91	178.65	145.58	159.21
World Ex. UK (1945)	176.99	8.0	161.64	108.89	138.88	145.58	0.7	2.07	175.64	159.18	107.70	136.87	144.17	179.59	155.96	168.44
World Ex. So. Af. (2090)	178.30	7.1	162.84	109.70	139.92	148.16	-0.6	2.27	177.09	160.31	108.46	137.84	146.61	180.03	158.54	168.46
World Ex. Japan (1681)	190.76	1.6	174.22	117.37	149.99	178.65	-3.4	2.89	188.60	170.73	115.51	146.80	176.02	195.20	176.34	181.16
The World Index (2149)	179.31	7.3	163.75	110.32	140.70	148.24	-0.4	2.27	178.12	161.25	108.10	138.64	147.69	180.80	158.85	168.65

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Constituent changes during the week ending 28/10/94: Deletions: GBL B and GBL C (Belgium). Name changes: GBL A to GBL (V V P R), Generale Banque A to Generale Banque (V V P R) (Belgium), National Intergroup to Foxmeyer Health Corp. (USA) and Sumitomo Cement to Sumitomo Osaka Cement (Japan).

WORLD BOND MARKETS: This Week

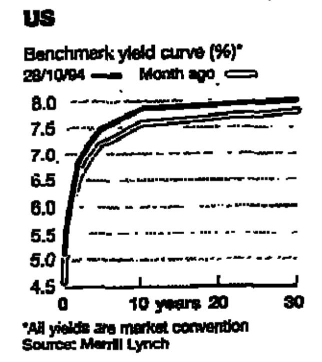
NEW YORK — Patrick Harverson

Last Friday's rally, which sent the 30-year yield back below 8 per cent, may not carry through into this week. Analysts expect that for the next month or so a weak dollar, renewed upward pressure on commodity prices, and another tightening of monetary policy by the Federal Reserve will steadily push *bond yields up towards 8.25 per* cent or 8.5 per cent.

Yields, in fact, may go above 8 per cent this week, which is packed with the sort of data that could unnerve investors if they contain hints of resurgent inflation or unexpectedly strong economic growth.

The October employment report, due on Friday, will be the highlight. Donaldson, Lufkin & Jenrette analysts *forecast that non-farm* payrolls will have risen by 230,000 in October. Growth above 270,000 could send bonds tumbling.

The market will also have to absorb the National Association of Purchasing *Management's index for*



October, and September personal income, manufacturers orders, leading economic indicators and single family home sales.

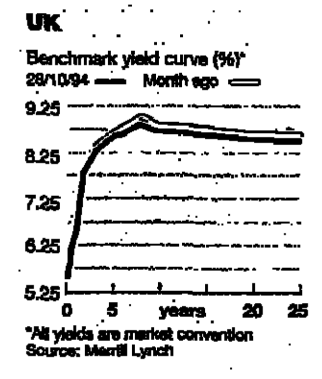
If any of these figures are stronger than expected, the bond yield will probably breach 8 per cent again. The consensus is that the Fed will tighten policy on November 15, when its open market committee meets, by raising the Fed funds rate target by 50 *basis points to 5.25 per cent.*

LONDON — Philip Coggan

The central event of the week for the gilts market will be Wednesday's monthly meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England.

Some analysts think the meeting will lead to a further rise in base rates. "The evidence of continued price pressures, falling capacity and no clear slowdown in growth will be sufficient to prompt the governor to request a further tightening of policy," believes Mr James Barty, senior UK economist at Morgan Grenfell. He predicts the meeting will result in base rates rising to 6 per cent, a quarter of a percentage point increase.

But Mr Ian Shepherdson, UK economist at Midland Global Markets, thinks the chancellor will resist a rate rise. He believes Mr Clarke will not want to dent consumer confidence ahead of the vital Christmas shopping season, *nor will he want to antagonise*



voters before what is likely to be a fairly austere Budget.

Either way, the market is likely to be jittery all week, especially as September's base rate rise was delayed until the Monday after the monthly meeting. The Bank's quarterly inflationary report, published on Tuesday, may give some clues as to the governor's thinking; his recent remarks have suggested bond markets are over-stating the *inflationary threat.*

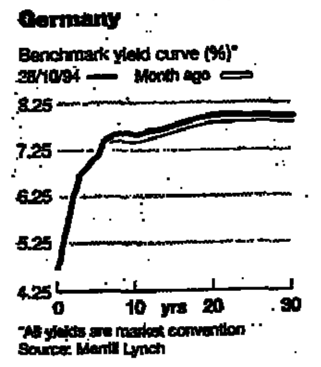
FRANKFURT — Andrew Fisher

In the current German interest rate hiatus, with the Bundesbank waiting to see what happens on the monetary, economic and political fronts, *the eyes of the* bond market are fixed on the US.

Although Friday's US data proved positive for the financial markets, concern over the timing and impact of the next US interest rate rise remains to the fore.

The main domestic news last week was the easing of west German inflation to 2.8 per cent, bringing it closer to the central bank's 2 per cent goal, and the recommendation by the main economic research institutes that interest rates should not be cut significantly. This came in a broadly positive report on the economy, which has been expanding with a vigour even the Bundesbank admits has come as a surprise.

This makes it even more determined to rein back money supply growth to a rate more *consistent with low inflation.*



Until M3 slows down more sharply, those who believe there is no more scope for the Bundesbank to cut interest rates in the current cycle will be strengthened in their views.

Even so, some voices still argue that another cut in the discount and Lombard rates, which have been static since May, is probable. For the bond market, though, it is the US that will mainly determine whether yields continue *moving up.*

TOKYO — Emiko Terazono

Investors are expected to focus on the short-term money markets, which will be affected by seasonal and technical factors this week.

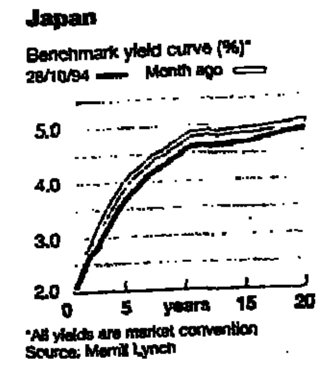
A substantial rise in fund demand from banks, due to month-end funding, corporate tax payments and the public holiday on Thursday, is likely to put upward pressure on short-term rates.

The banks are also expected to increase fund procurement for the year-end, pushing up two-month interest rates.

Over the past few weeks, the Bank of Japan has allowed *short-term rates to rise* moderately in the face of increasing evidence of a gradual economic recovery.

Although it has been forced to adopt an easier stance because of the yen's appreciation against the dollar, economists expect it to allow a further rise in short-term rates because of the underlying economic trends.

"We expect the BoJ to allow a gradual widening of the



spread between the overnight call rate and the ODR," says DKB International.

Meanwhile, oversupply worries are adding to investor cautiousness as corporate borrowing on the straight bond markets seems set to increase. Last week *Tokyo Electric* Power, the leading electric utility company, said it would issue Y100bn of straight bonds in November and corporations are also expected to turn to the Eurobond markets for funds.

Capital & Credit

Moody's move puts spotlight on Sweden

The decision by Moody's Investors Service to place Sweden's Aa2 foreign currency debt rating on review for a possible downgrading is likely to weigh heavily on the bond market when it opens today.

After rallying sharply last week, the rating agency's move, prompted by its con*cerns over the country's pub*lic-sector deficit, will force investors to focus once again on Sweden's debt situation, which has troubled the market most of the year, causing an exodus of foreign participants and the withdrawal of leading Swedish investors.

After posting sharp gains during the 1993 bond market boom, Swedish bonds have suffered particularly this year, not only from the bear market that has depressed fixed-income markets worldwide, but also from problems at home: a growing budget deficit and political jitters surrounding general elections.

Swedish bonds have been further dogged by inflationary fears and the spectre of monetary tightening after the Riksbank raised interest rates on August 11 – the first European rate increase in the current cycle.

Last week, however, Sweden's bond market was the strongest performer worldwide; according to Salomon Brothers' world government bond index, Swedish government bonds returned 1.41 per *cent in the week to Thursday,* compared with a 0.35 per cent drop in the European bond index. Their yield spread over German bunds narrowed sharply to around 320 basis points on Friday from 357 points a week earlier.

Bond prices were propelled higher last week by a range of factors: Monday's bullish bond auction result (with each tranche snapped up by a single buyer), currency strength, and increasing hopes that Sweden will vote in favour of joining the European Union in its referendum on November 13.

The Riksbank's 20-basis-point hike in the repo rate to 7.40 per cent on Thursday further underpinned bonds because it was seen to boost the central bank's inflation-fighting credibility.

Lastly, prices were boosted by calls from Mr Goran Persson, the finance minister, for larger than forecast government spending cuts: in addition to the SKr61bn of budget savings promised by the Social Democrats during the election campaign, he proposed further spending cuts of 20 per cent *over the next four years.*

However, the Moody's rating review highlights the risks still surrounding Swedish bonds in the shape of the continuing accumulation of public-sector debt.

"Stronger economic growth, lower unemployment and additional fiscal restraint expected from the recently elected government suggest that budget deficits relative to GDP will shrink; nevertheless the build-up in public-sector debt will continue," the agency warned.

"Moody's review will focus on the degree to which policies can be forged over the medium term to strengthen the public sector finances and improve the investment climate," it stated.

Some market participants were surprised by the timing of the announcement. "I think Moody's may have acted a bit prematurely here, especially considering that the government hasn't yet presented the details of its economic plans and with the EU referendum coming up," said Mr James McKay, international econo*mist at Kidder Peabody.*

On the other hand, he said, Moody's announcement could be welcomed as a warning shot to the government, forcing it to place fiscal discipline at the top of its agenda. Mr Persson is due to unveil details of his fiscal plan on Wednesday.

The EU referendum remains another significant risk. In spite of Finland's recent vote in favour of EU membership, the Swedish yea-sayers have held only a slim majority in recent opinion polls, amid a large pool of undecided voters. "If the Swedes vote 'no', that could undermine the Social Democratic leadership," warns one analyst, who says a 'no' vote could cause the Swedish yield spread over bunds to balloon back to more than 400 basis points.

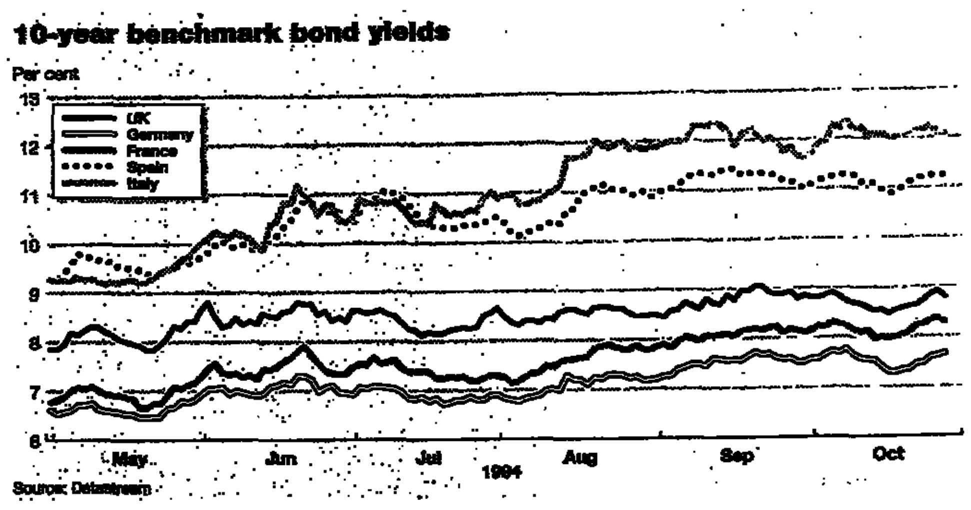
Even before the Moody's announcement, Mr Graham McDevitt, *strategist* at Paribas Capital Markets, was recommending switching out of Sweden ahead of the EU referendum. One strategy would be to move into Danish bonds, while more adventurous investors should consider a switch into *Norway, which faces an* EU referendum on November 28, he says.

According to Mr McDevitt, Swedish bonds are moving to put bias on a 'yes' decision while Norwegian bonds have 70 per cent discounted a 'no' vote. "If Sweden does vote for EU, Swedish bonds should rally but Norwegian bonds should out-perform on hopes that a 'yes' result may now be possible in Norway," he says.

"If Sweden votes 'no', Swedish bonds would succumb to significant profit-taking from long positions built up over the past month; this would drag on Norwegian bonds, but better underlying fundamentals should limit the decline," he adds.

Conner Middelmann

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40[1]	7.50	5.75[2]
Overnight	4.69	2.25	4.69	5.18	7.93	4.63
Three month	5.14	2.31	5.06	5.48	8.50	5.88
One year	6.14	2.75	5.50	6.18	9.93	7.18
Five year	7.48	4.12	7.07	7.83	11.98	8.58
Ten year	7.81	4.74	7.57	8.28	11.91	8.88

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97-11	96-11	+0-31	96-15	95-29	241,085	390,012
Mar	95-23	97-22	+0-31	97-28	94-06	1,309	27,492
Jun	96-03	97-02	+0-31	97-02	93-31	101	11,313

International loans

Securum marks a Swedish milestone

The SKr20bn refinancing package announced last week by Securum, the state-owned Swedish company set up to liquidate the failed loans of *Nordbanken, was big by any* standards. From a company less than two years old, it was spectacular.

The operation is a milestone in Sweden's progress out of the crisis that overwhelmed its banking sector in 1992. Significant state intervention was required to restore confidence.

"Securum has been the main symbol of the Swedish banking crisis," says Mr Anders Nyren, the group's chief financial officer. "For the company to be able to refinance itself in the international markets so soon after it was set up shows the progress which has been made."

Securum was established in early 1993 after taking on SKr60bn in failed loans from Nordbanken, which collapsed into state arms in 1992 as the biggest casualty of Sweden's banking crisis. It has converted *bad credits into some SKr44bn* worth of assets, which it intends to sell off gradually over the next 10 years to maximise returns to the taxpayer.

It has changed from being a finance company to an investment, industrial and real estate holding company. The transformation was the starting point for the refinancing which will allow it to pay back most of the loans it has received from Nordbanken.

The package involves an international and a domestic tranche. Under the interna*tional tranche, Chemical* Bank and Enskilda Corporate will arrange a $1.4bn amortising five-year syndicated term loan. Pricing is Libor plus 25 basis points. After a two-year grace period, the company expects to pay down about half of the loan over the following three years. At the end of the period, the remaining portion will either be refinanced or paid back using proceeds from asset disposals.

The domestic portion falls into two parts, a SKr5bn subordinated term loan and a SKr5bn callable subordinated private placement, both running over 10 years. The arranging banks, Enskilda Corporate and Nordbanken, are expected to provide most of the term loan themselves. Terms are Stibor (Stockholm inter-bank offered rate) plus "a few basis points" (in practice, less than five).

The private placement comprises a five-year fixed interest rate bond. If market conditions move against the company before the rate is set in a few weeks time, it has a back-up *facility* to draw down funds on a Stibor basis. After five years, the bond rate will be re-set.

The domestic/international structure reflects Securum's balance sheet with its 60/40 per cent asset split between Sweden and abroad. For the international tranche, a syndicated loan was preferred to a bond issue *because* Securum does not have a credit rating and a bond was considered less flexible.

A crucial element in the total package is the backing provided by the Swedish state. The SKr10bn domestic portion of the deal will be formally guaranteed by the Kingdom of Sweden, which is transferring a pledge that underpins Securum's existing Nordbanken loan.

The international tranche is covered by the blanket support measures which the government introduced in late 1992 to retain confidence in the banking sector.

The *state role undoubtedly* helped Securum obtain competitive terms, although not to the extent that it was considered sovereign risk. The terms also reflect Securum's better than expected financial performance in the first 18 months of its life and the situation in the Swedish market, where the banks are flush with cash following recapitalisation and weak loan demand.

Indeed, Securum believes the terms it secured in the domestic market are at least as favourable as if it had stuck with Nordbanken, even though Nordbanken has provided its loan on a cost-of-funds basis.

Combining the term loan and the private placement elements, Securum expects to end up with a basic interest rate of *a few basis points below Sti*bor. On a worst-case scenario, it expects the rate to work out at Stibor plus one and half basis points.

If the international tranche is included in the calculation, the company expects its overall funding costs to be "very marginally" higher than they are today.

Initial market reactions to the package were positive. "It's *priced according to the market* and it's well structured," said one Swedish banking source, who believed it would be successful because it gives international banks, excluded from some recent relationship-driven deals, the opportunity to get into the Swedish market.

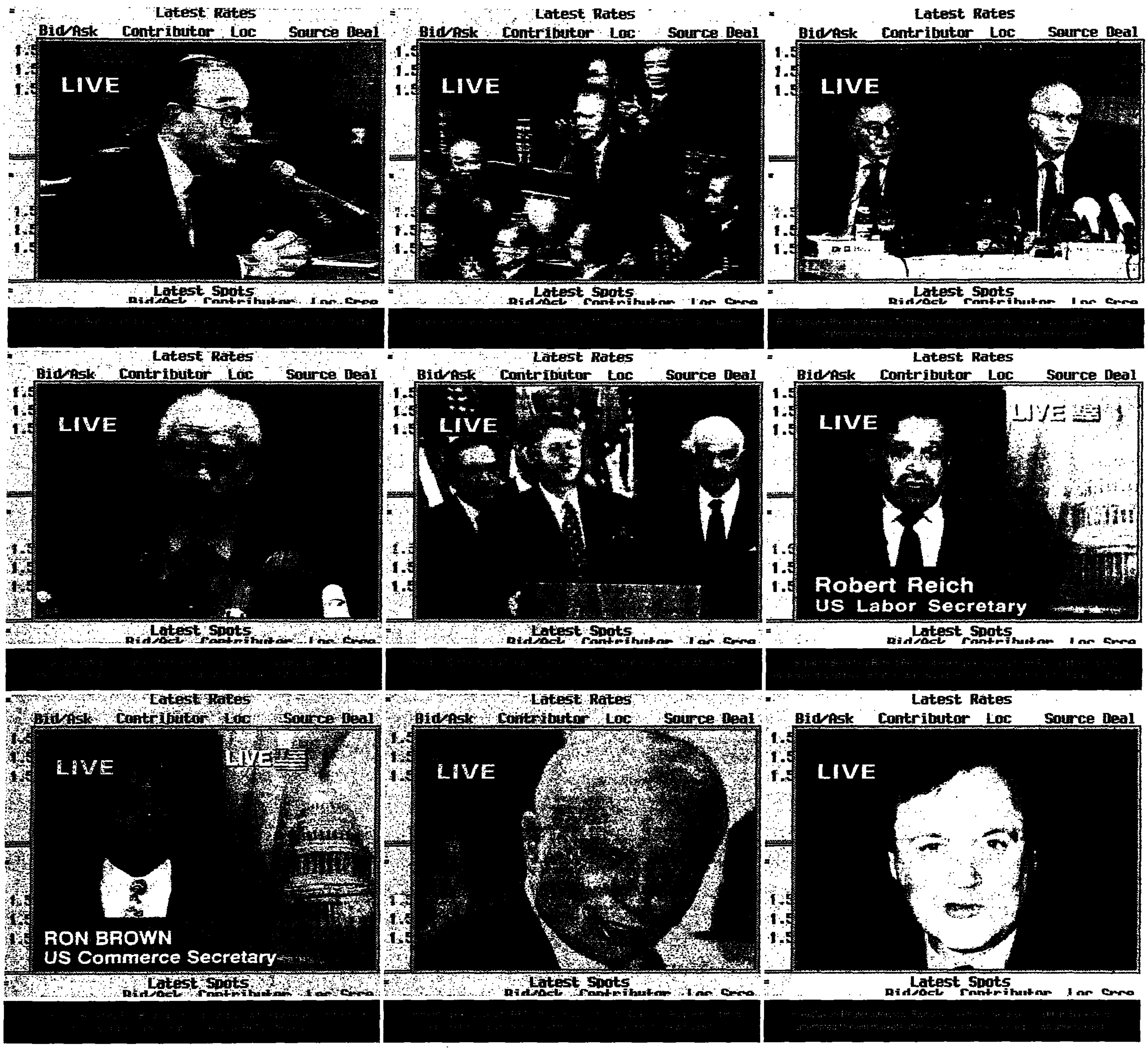
The deal is strategically important for Securum in several ways: it provides visibility, it broadens its borrowing base and *it allows it to build up* contacts with a range of international lenders. It should also assist the government's plans to privatise Nordbanken – a move expected sometime next year – by reducing the bank's *uncomfortably* large exposure to a single client.

Christopher Brown-Humes

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Samancor O'seas Fin.(a,s)§	100	Jan.2004	7.00	100.00	-	-	Swiss Bank Corp.
Rabobank Nederland	250	Nov.1998	7.50	100.05R	7.485	+10(f)	Swiss Bank Corp.
Hutchison Delta Finance(b)§	250	Nov.2001	7.00#	100.00	-	-	Peregrine Capital
Swedish Export Credit	150	Nov.1996	7.00	99.81R	7.105	+16(WI 2yr)	IBJ International
CIC(c)‡	100	Aug.2001	(c1)	100.00	-	-	Sanwa International
Morgan Guaranty Trust Co.(d)	100	Nov.1996	7.00	99.95R	7.028	+14(6½%-96)	JP Morgan Securities
Sophora Comercio	60	Nov.1998	11.50#	98.448R	12.00	+453(6¾%-98)	Bankers Trust Intl.
Iochpe Maxion(e)	50	Nov.2002	12⅞#	99.538R	12.50	+500(WI 5yr)	JP Morgan Securities
Johnson & Johnson, Trch A	200	Nov.1997	7.375	99.885R	7.427	+15(6½%-97)	Morgan Stanley Intl.
Johnson & Johnson, Trch B	200	Nov.2004	8.25	99.166R	8.376	+33(7¼%-04)	Morgan Stanley Intl.
SNCF	300	Nov.1998	7.50	99.57R	7.629	+15(l)	Paribas Capital Markets
Citic Pacific Finance‡	200	Nov.1997	(h)	99.905R	-	-	HSBC/Paribas Cp.Mkts.
Electricité de France	200	Nov.1996	7.00	99.76R	7.133	+12(WI 2yr)	Paribas Capital Markets
Trans-Tokyo Bay Highway Co.	200	Nov.2004	8.375	99.662R	7.45	+38(7¼%-04)	Bk.of Tokyo Cap.Mkts.
Deutsche Bank Finance(g)	200	Feb.1998	7.50	100.18R	8.426	+22(5½%-97)	Deutsche Bank London
Rocel(j)	50	Nov.2002	12.50#	98.80R	12.33	+616(6¾%-97)	CS First Boston
Swedish Export Credit	100	Nov.1996	zero	87.83	6.595	-	Daiwa Europe
LTCB of Japan, Trch A(k,m)‡	50	Nov.2004	(m1)	101.00	-	-	LTCB International
LTCB of Japan, Trch B(k,n)‡	25	Nov.2001	(n1)	100.875	-	-	LTCB International
YEN							
J-Cars Corp.‡	15bn	Nov.1998	(l)	100.00R	-	-	Goldman Sachs Intl.
LB Rheinland Pfalz★	15bn	Dec.1997	zero	89.65	3.709	-	Norinchukin Intl.
Nomura Europe Fin.(o1,s)★	21bn	Feb.2000	(o2)	100.00	-	-	Nomura International
D-MARKS							
Rheinische Hypotheken Bank‡	500	Nov.2004	(g)	100.06	-	-	DG Bank
Export Development Corp.	300	Nov.1998	7.00	101.87	6.455	-	Merrill Lynch Bank
DSL Finance(l)	300	Nov.1998	7.125	99.90R	7.154	+7(5¼%-98)	CSFB-Effectenbank
JP Morgan & Co.(l)	250	Nov.1998	7.25	100.125R	7.219	+14(5¼%-98)	JP Morgan
ITALIAN LIRE							
Republic of Austria	200bn	Dec.1997	11.00	101.315	10.47	-	Deutsche Bank London
Bayerische Vereinsbank	150bn	Dec.1996	11.00	101.00	10.42	-	Credito Italiano
Norddeutsche Landesbank	150bn	Dec.1996	11.00	100.975	10.43	-	BNL
Rabobank Nederland	150bn	Dec.1997	11.05	101.23	10.55	-	BCI
CANADIAN DOLLARS							
General Electric Capl.Canada(l)	125	Dec.1999	8.75	99.977R	8.756	+8(7¼%-99)	ScotiaMcleod
European Investment Bank	165	Dec.2001	9.00	99.77R	9.046	+10(l)	Wood Gundy
GUILDERS							
Dresdner International Finance	250	Dec.1999	7.50	99.80R	7.549	+25(7½%-99)	ABN Amro Bank
ECUS							
DSL Finance(p)	100	Nov.1999	8.375	99.818R	8.421	+15(5%-99)	BZW
AUSTRALIAN DOLLARS							
Bayerische Vereinsbank	100	Dec.1999	10.00	100.97	9.746	-	Hambros Bank
New Sth.Wales Trens.Corp.★	100	Nov.1997	4.50#	89.961	8.764	-	Nomura International
Queensland Treasury Corp.	250	Nov.1998	8.875#	99.847	8.960	-	Merrill Lynch Intl.
Bayerische Hypobank	75	Dec.1997	9.75	101.15	9.283	-	Hambros Bank
PESETAS							
European Investment Bank	20bn	Nov.1998	10.90	101.20	10.52	-	BSN
SWISS FRANCS							
Jap.Fin.Corp.for Small Business	200	Nov.1999	5.50	102.00	5.038	-	IBJ (Switz.)/ UBS
Aeroports de Paris★	70	Dec.1996	5.75	102.50	4.417	-	Paribas(Suisse)/ SBC
LUXEMBOURG FRANCS							
Inter-American Dev. Bank(s)	2.5bn	Nov.1999	7.75	102.00	7.26	-	BGL/ Paribas Lux.
France Telecom(l)	2bn	Feb.2000	8.00	102.40	7.41	-	Crédit Européen

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: R62.44. FX: 3.64R/$. Callable from 30/6/98, subject to 130% hurdle, at par. b) Mandatorily exchangeable into Hutchison Delta Ports ord shares at 18% discount upon HDP's IPO (expected in 5-7 yrs). Redeemed at 124.078% if IPO has not taken place by 8/11/01. c) Fungible with $150m. Flat of accrued. c1) 3-mth Libor +⅜%. d) Fungible with $200m. Flat of accrued. e) Puttable on 8/11/99 at par. f) 1-mth Libor +20bp. g) 3-mth Libor flat. h) 6-mth Libor +50bp. i) Over interpolated yield. j) Puttable on 4/11/97 at 99.12%. k) Long last coupon. l) Long 1st coupon. m) Callable on 21/11/97 at par. m1) 6-mth Libor +50bp to 21/11/97 and 9½% bd annual thereafter. n) Callable on 21/11/96 at par. n1) 6-mth Libor +90bp to 21/11/96 and 9% bd annual thereafter. o) Tranche 3 of Y30.2bn 6-tranche deal. o1) Callable on 24/2/97 at par. o2) 4% to 23/2/97 and 5.2% thereafter. p) Spread relates to French govt Ecu BTAN's. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.



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EMERGING MARKETS: This Week

The Emerging Investor / Mark Suzman

Africa's stock markets aim high

As with so much else on the continent, Africa's stock exchanges tend to be bypassed by international investors who are convinced that *anything* preceded by the word African must be a hopeless economic basket case.

Indeed, even among emerging markets specialists, few are aware of the existence of any African stock markets outside of South Africa – and even in that country genuine international interest is a relatively recent occurrence.

Last week, however, at the annual general meeting of the African Stock Exchanges Association (ASEA) in Johannesburg, representatives from bourses across the region served notice that Africa is determined to put itself back on the international investment map.

In particular, now that a politically rehabilitated South Africa is rapidly becoming *integrated with the rest of the* continent and is poised to act as its economic leader, hopes are running high that the continent's various exchanges are about to embark on an unprecedented growth path.

"The situation is looking better now for Africa than at any time in the past 30 years, and *there's real potential for* growth," observes one analyst who recently started assessing African stocks.

While such glib predictions litter Africa's modern economic history, ASEA officials *are adamant that this is no* longer a pipe-dream, pointing out that there are currently no fewer than 14 operative African stock markets, with a combined market capitalisation of \$256bn (£162bn).

Of these, South Africa is by far the most important player, accounting for \$240bn compared with \$7bn in North Africa (Egypt, Tunisia and Morocco); \$8bn in the rest of sub-Saharan Africa (Ghana, Nigeria, Namibia, Kenya, Zimbabwe, Botswana, Ivory Coast, Swaziland and Uganda) and a further \$1bn coming from the *Indian Ocean island of* Mauritius.

Even more striking is the fact that many exchanges already offer impressive returns. As a group the African markets rose by an average 30 per cent last year and only two exchanges, Botswana and Nigeria, fell. Zimbabwe, meanwhile, had the fourth best performing market in the world, rising by an astonishing 123 per cent in dollar terms (albeit off a low base) and the Mauritian index rose 51 per cent.

Taking note of these figures, *some of* the bigger investment banks and securities houses have started to investigate African markets more seriously. Morgan Stanley, for example, has included several non-South African stocks in its Africa Fund and is distinctly upbeat on the continent's prospects.

"In spite of past problems, Africa's potential is unmistakeable. The world's second largest continent, with 11m square miles, is three times the size of the US and has twice the population, 600m strong, and is rich in natural resources and agriculture," its assessment concludes.

Similarly, in another recent report, Barings predicts that *African exchanges should be* able to expand from their current 2.2 per cent share of world market capitalisation to 3 per cent by 2010 on the back of anticipated cross-border equity flows of between \$1bn and *\$1.6bn. The sub-Saharan mar*kets on their own, the report predicts, could expand by a factor of five or six times.

Nevertheless, if the continent is to achieve this, analysts agree that further structural reforms are desperately needed. In particular, the markets need to boost liquidity substantially: South Africa, with annual turnover amounting to only 7.4 per cent of market capitalisation, is currently the most liquid of all sub-Saharan markets and even in the north, only Morocco's 21.7 per cent exceeds it.

In large part, this is due to currency controls, which are still in place in nearly all African countries and need to be removed to allow the free movement of capital. At the same time, however, the markets need to launch some international stock offerings to help raise the continent's profile.

These points are largely accepted by the markets, which have started actively lobbying their respective gov*ernments for action on both* fronts. "Only by removing the major stumbling block of exchange controls and by providing new shares through privatisation issues can we attract the foreign capital we so dearly need to develop our countries," observes Mr Jimnah Mbaru, ASEA chairman.

The first leg of this process has already begun. Several countries have implemented currency reforms as part of IMF-imposed structural adjustment programmes. South Africa is also likely to jettison its own confusing financial rand system for foreign investors some time early next year, which should provide further impetus for the deregulation process.

At the same time, moreover, many states are considering privatising companies in sectors such as mining, telecommunications and transport. As Ghana's highly successful recent \$450m flotation of its Ashanti gold mine, of which 87 per cent was sold internation*ally, indicates, given the* proper conditions global investors are more than willing to take a chance on Africa.

In the meantime, the continent's stockbroking fraternity is continuing to grow: two more markets, in Tanzania and Malawi, are expected to open over the coming year.

Ten best performing stocks

Stock	Country	Friday 28/10/94	Week on week change $	Week on week change %
Bagfas	Turkey	0.2106	0.0422	25.07
Shinhan Bank	S.Korea	28.7526	4.1804	17.01
Aksa Akrilik Ve Kimya Sanayii	Turkey	0.6511	0.0899	16.02
Goldstar	S.Korea	43.6939	5.3312	13.90
Filinvest Land	Philippines	0.4518	0.0550	13.86
Eczacibasi Ilac	Turkey	0.0845	0.0087	11.54
Lucky	S.Korea	33.0215	3.3093	11.14
Cherat Cement Co.	Pakistan	4.0824	0.4082	11.11
Eletrobras (Pfd)	Brazil	0.3740	0.0321	9.38
Eletrobras	Brazil	0.3729	0.0286	8.30

Source: Baring Securities

Global funds gap 'widening'

The gap between the best and worst performing global emerging *markets funds is growing wider, according to a review by* Fund Research. The report found that the best global emerging markets fund increased by 67.2 per cent, while the worst rose by only 6.2 per cent over the 12 months to August 1.

Mr Peter Jeffreys, managing director of Fund Research, an independent research company on international open-end and closed-end funds, said the review also identified a widening gap *between fund management groups in terms of the quantity and* quality of resources dedicated to emerging markets.

The report covered 50 of the sector's 120 funds, drawn from a group of US, UK and offshore open and closed end funds.

Fund Research, 1 Frederick's Place, London, EC2R 8HX

News round-up

Middle East

Foreign & Colonial Emerging Markets has launched the first regional Middle East closed-end fund on the New York stock exchange. In a global placing it has so far raised \$42m.

The fund, which is FCEM's first US listed fund, is investing 65 per cent in securities of Morocco, Tunisia, Egypt, Jordan and Oman. Because of US legislation it will never invest in Iran, Iraq or Libya.

Survey

China remains the highest priority among international companies wishing to make an investment in an emerging economy, according to a survey of 100 companies conducted by Ernst & Young.

After China, India and Indonesia attract attention, while the most important factor in attracting inward investment was that of political stability.

The survey sought to identify the investment intentions of 1,000 multinational companies and to explore the decision making process that accompanied such expansion.

India

India's recently-launched National Stock Exchange (NSE) plans to start screen-based equities trading next month.

The NSE will initially trade in 200 shares from November 3. But plans to expand to 500 shares in the next six months are expected to eat into the business of the Bombay stock exchange, which accounts for 75 per cent of turnover of all the stock exchanges.

The BSE has a market capitalisation of \$130bn from over 6,000 listed companies.

The BSE is switching from open outcry trading to a screen-based system from January 1995.

The BSE officials have also announced plans to introduce options and futures once the entire trading is screen-based and settlement procedures improved.

The NSE was conceived in 1990, mainly out of frustration with brokers' refusal to accept any change in antiquated trading practices.

Russia

The Moscow Commodity Exchange, one of the main dollar futures trading centres in Russia, is to launch a western-style stock market before the end of the year.

Dozens of stock exchanges have been set up in Russia, but only a few trade securities, and their trading volumes are very small.

The bulk of the market is in the hands of brokers trading over the counter. Several of these brokers have set up an electronic quote system and are working on developing a share trading system linked to a depositary.

Poland

The Warsaw stock exchange has approved for listing shares in Remak, an engineering company, and Debica, the tyre maker, as well as four new issues of listed companies.

Remak and Debica were floated earlier this year, while the four quoted companies – BIG, Elektrim, Mostostal Warszawa and Zywiec – won listing for new shares issued in February and March this year.

Budapest

The Budapest stock exchange will introduce an official share index on January 1 1995. Since the opening of the bourse on June 21 1990, the index has been used as an unofficial weighted index, which currently reflects the price movements of 13 of the BSE's 39 shares.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page*

Baring Securities emerging markets indices

Index	28/10/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (301)	182.03	-4.25	-2.28	-6.65	-3.52	+13.63	+8.09
Latin America							
Argentina (20)	104.51	-4.23	-3.89	-9.35	-8.22	-10.87	-9.42
Brazil (21)	226.04	+0.53	+0.23	-17.05	-7.01	+86.39	+61.86
Chile (12)	226.36	-2.40	-1.05	+21.89	+10.71	+78.82	+53.43
Mexico (25)	144.73	-9.84	-6.37	-15.01	-9.40	-16.54	-10.26
Peru(16)	926.66	-27.69	-2.90	+20.90	-2.21	+350.57	+60.85
Latin America (94)	170.04	-5.49	-3.13	-10.99	-6.07	+20.80	+13.94
Europe							
Greece (16)	84.14	-1.88	-2.18	+0.57	+0.69	+1.05	+1.26
Portugal (18)	122.32	-1.50	-1.21	+3.68	+3.11	+10.19	+9.09
Turkey (21)	77.82	-0.39	-0.49	-6.37	-7.57	-83.89	-51.87
Europe (55)	99.90	-1.40	-1.38	+0.62	+0.62	-12.34	-11.00
Asia							
Indonesia (26)	153.06	-0.59	-0.38	+0.68	+0.45	-17.98	-10.51
Korea (23)	158.25	-3.02	-1.87	-6.19	-3.76	+48.54	+44.25
Malaysia (23)	235.96	-0.68	-0.29	-4.26	-1.77	-17.09	-6.75
Pakistan (11)	114.35	-1.25	-1.08	-4.40	-3.71	+2.65	+2.38
Philippines (12)	302.45	+0.14	+0.05	+23.90	+8.58	-20.03	-6.21
Thailand (25)	277.61	-3.36	-1.20	+13.38	+5.06	+14.05	+5.33
Taiwan (32)	172.63	-6.45	-3.60	-10.40	-5.68	+18.92	+12.31
Asia (152)	227.36	-2.74	-1.19	-0.63	-0.28	+5.94	+2.68

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES Philip Gawith

Market waits for US employment data

Foreign exchanges will be focusing on the US and UK central banks this week, with the possibility that interest rates may rise in both countries.

Inflationary pressures are an issue on either side of the Atlantic, though the problem, at least from the point of view of financial markets, is much more pressing in the US.

Sterling has recently been stronger, following a rate rise last month, while the market believes that nothing short of a large rise in US rates can rescue the dollar from its current plight.

The dollar is likely to trade in a fairly narrow range this week, ahead of Friday's release of the October employment report. The third quarter GDP figure, released last Friday, and showing output up by 3.4 per cent, did not dispel the market's inflation concerns. Traders will thus shift their attention to the labour market for signs of inflation.

In recent months, dollar weakness has been closely tied up with investor fears that the US Federal Reserve has been too slow in combating inflation. The market consensus is that a turnround in the dollar's trend is unlikely until the Fed's monetary tightening process appears complete.

In the short term, however, there is some evidence that the dollar may have bottomed. Mr Brian Marber, chartist, said there had been a weekly reversal in the dollar's price movement. Accordingly, though he stood by his prediction of a longer term fall to DM1.3910, he thought the dollar could stabilise at current levels for a number of weeks.

Higher UK rates are less likely in the short term, though some economists, such as Morgan Grenfell, believe that a 25 basis point rise in rates will be authorised at Wednesday's monthly monetary meeting. Their argument is based on above trend economic growth, and the CBI's October survey showing strong price and cost pressures.

Against this is the fact that Mr Eddie George, governor of the Bank of England, has recently gone to some lengths to stress that he feels the market's fears about inflation are exaggerated. Last week he said that there were "relatively few signs that inflation is about to pick up strongly."

A rise in rates against this backdrop would be surprising. Even without a rate rise, most analysts believe sterling to be well supported at current levels.

In Europe, the Nordic currencies are likely to continue trading actively in the run-up to the Swedish referendum, on November 13, on joining the European Union. The Swedish krona and the Finnish markka have both recently been strong.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 28, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4260.80	2624.45	1738.75	2698.37
Albania	(Lek)	163.700	100.832	66.8026	103.594
Algeria	(Dinar)	66.9695	41.2623	27.337	42.393
Andorra	(Fr Fr)	8.3880	5.1666	3.4229	5.3081
	(Sp Peseta)	203.977	125.64	83.2389	129.083
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Faroe Is	(Danish Kroner)	9.5621	5.9021	3.9102	6.0638
Fiji Is	(Fiji $)	2.3313	1.4359	0.9513	1.4753
Finland	(Markka)	7.4746	4.604	3.0502	4.7301
France	(Fr)	8.3880	5.1666	3.4229	5.3081
Fr Cty/Africa	(CFA Fr)	838.800	516.662	342.297	530.819
Fr Guiana	(Local Fr)	8.3880	5.1666	3.4229	5.3081
Fr Pacific Is	(CFP Fr)	152.774	94.1016	62.344	96.6801
Gabon	(CFA Fr)	838.800	516.662	342.297	530.819

		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	15.8788	9.7808	6.4798	10.0486
Germany	(D-Mark)	2.4505	1.5083	1	1.5507
Ghana	(Cedi)	1677.93	1033.53	684.73	1061.85
Gibraltar	(Gib £)	1.00	0.6159	0.408	0.6328
Greece	(Drachma)	377.172	232.32	153.916	238.696
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N'nd Antilles	(A/Guilder)	2.9302	1.8048	1.1957	1.8543
New Zealand	(NZ $)	2.6379	1.6249	1.0764	1.6693
Nicaragua	(Gold Cordoba)	11.7537	7.2397	4.7964	7.4381
Niger Rep	(CFA Fr)	838.800	516.662	342.297	530.819
Nigeria	(Naira)	35.5385	21.89	14.5025	22.4898
Norway	(Nor. Krone)	10.6489	6.5592	4.3456	6.7389
Oman	(Rial Omani)	0.6252	0.385	0.2551	0.3956

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	49.7106	30.6194	20.2859	31.4584
Panama	(Balboa)	1.6235	1	0.6625	1.0274
Papua New Guinea	(Kina)	1.8469	1.1376	0.7536	1.1687
Paraguay	(Guarani)	3138.95	1933.45	1280.94	1986.43
Peru	(New Sol)	3.6058	2.221	1.4714	2.2818
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Western Samoa	(Tala)	4.1476	2.5548	1.6925	2.6245
Yemen (Rep of)	(Rial)	88.30a(3)	54.3888	36.0334	55.879
Yemen (Rep of)	(Dinar)	0.6884(3)	0.424	0.2809	0.4356
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	4339.00	2672.62	1770.66	2745.85
Zambia	(Kwacha)	1096.79	675.571	447.578	694.083
Zimbabwe	($)	13.6336	8.3977	5.5635	8.6278

Special Drawing Rights October 27, 1994 United Kingdom £0.911989 United States \$1.49320 Germany DM2.23144 Japan Y144.616 European Currency Unit Rates October 28, 1994 United Kingdom £0.783254 United States \$1.28211 Germany DM1.91611 Japan Y124.198

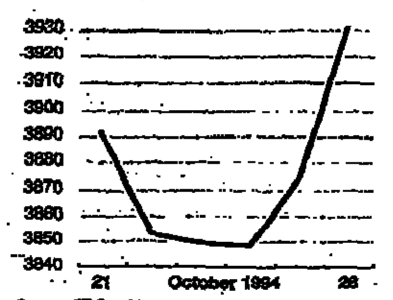
Abbreviations. (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 31.3.94 (3) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 834 4360/5.

Friday, October 28, 1994

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Wall Street looks beyond next rate rise



Source: FT Graphite

With the next rate increase all but assured, Wall Street is beginning to calculate how much more the Federal Reserve will have to tighten credit conditions to bring growth down to a manageable pace.

On Friday, the Commerce Department announced that the economy had expanded at an annual rate of 3.4 per cent in the third quarter, much higher than the most recent estimates.

Over the past week, economists had lifted their forecasts to around 3.0 per cent in response to the recent series of robust indicators. While the reported figure represents a slowdown from the second quarter, when the economy accelerated at a 4.1 per cent rate, the Fed is not likely to be satisfied.

Thus, the data merely closed one chapter and opened another. "It's a foregone conclusion that the Fed is going to raise rates a half point at its next meeting on November 15. The real issue now is whether the Fed is going to raise rates again afterwards," says Mr Hugh Johnson, chief investment officer at First Albany in New York. "That makes for a very uneasy, restive kind of environment," he says.

But if there is a sense of uncertainty dominating the equity markets, it was surely not apparent immediately after the GDP announcement. The Dow Jones Industrial Average jumped more than 55 points, to close the week at 3,930.66.

The positive movement was partly explained by the hammering blue chips had taken in five of the previous six sessions. The rebound came after a steady stream of strong earnings news which had flooded into Wall Street over the past fortnight. As of last week, 20 per cent of companies had reported profits 10 per cent or more above the consensus, according to S.G. Warburg.

Most importantly, bonds were surprisingly co-operative, with the yield on the benchmark 30-year issue dipping below 8.00 per cent, a level viewed as a psychological obstacle for stocks. On Friday, fixed-rate investors took solace in a third-quarter dip in the implicit price deflator, a keenly watched measure of inflation, and suggestions that the headline GDP figure was boosted by inventory accumulation.

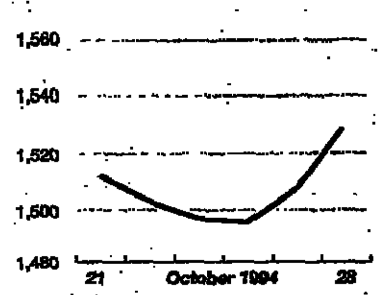
As a consequence, Mr Robert Brusca, chief economist for Nikko Securities, says the Fed would have difficulty justifying a rate increase after its expected move around November 15.

Investors are already looking for further evidence to support such a conclusion. They will not have long to wait because this week brings two of the most crucial pieces of economic data in the monthly release cycle.

The National Association of Purchasing Management will publish its October survey of business activity tomorrow, while the Labor Department's report on employment conditions is due on Friday.

LONDON — Terry Byland

Shares look vulnerable to change in tack



Source: FT Graphite

Volatility has become more than a keyword for describing the mood on the UK stock market. Daily swings in share prices have reached proportions where they not only reflect underlying factors but also influence prospects for the market's performance over the final quarter of the year.

Last week, the FT-SE 100 Share Index moved through a range of around 80 points in terms of intra-day highs and lows, before closing on Friday with a 54 point gain on the week. Since many market strategists would probably settle, at least privately, for a year-end Footsie anywhere above 3,300, moves of 80 points are not to be brushed aside just because they have not proved sustainable.

Volatility is related directly to the dismal volume of business in the UK equity market. Equity bargains are running at around 25,000 daily, comparing either with Christmas holiday sessions or, more ominously, with early July this year when the Footsie was hitting its 1994 low.

Daily bargains are only around two-thirds of the average for the past two years, so the rumours regularly sweeping the trading rooms that leading houses are poised for wide-ranging staff cuts or even withdrawals from market sectors are hardly surprising.

Low volume is hitting the market in two ways. Market-makers concentrate on keeping trading books on a tight rein, and are unwilling to hold positions; and at the first sign of a change in sentiment, stock flies round the market and prices move sharply.

Such volatility makes programme trading, once every market trader's dream, extremely hazardous. The securities house taking on a programme must effectively buy the portfolio on offer and then turn to the market to unwind its position. It takes the risk that at least some stocks may prove difficult to unload.

The past few months have seen a number of large houses, including at least one US investment bank, badly caught out and sustaining heavy losses when the market suddenly dropped before a programme could be unwound.

Misfortunes for market-makers and securities houses are not necessarily negative for the market or for share prices, except in an immediate sense.

Kleinwort Benson points out this week that institutional activity is light and that this leaves share prices highly vulnerable to any turn to the bullish tack.

Unfortunately, as some observers admit, events in the US have revived the prospect that UK base rates may have to go up before the end of the year, rather than in the new year when such a development would apparently be acceptable in the market.

This effectively leaves London dependent on the US and German bond markets.

International issues

Report on BT reveals the secret of global success

It's not often that the tactical decisions made during a tricky global share offering are made public. So a report from the National Audit Office offering a bird's eye view of what made the UK Treasury's sale last summer of its third and final stake in British Telecommunications "a success" is required reading indeed.

Between the date the sale was announced in November 1992 and the date the shares were priced in July 1993, existing BT shares held their market value relative to the FT-SE index. The shares were sold at no discount to the market price, earning the Treasury almost exactly the £3.8bn it had hoped to make.

The report might make instructive reading for Japan's Ministry of Finance, which is considering how it ought to organise future privatisations following the poor reception given its partial privatisation of Japan Tobacco last week.

Broadly speaking, global book-building, pioneered in the US, requires sustained marketing by a selling syndicate before any shares are priced at all. During the book-building process, bids are received for shares and the price and actual allocations are set with respect to visible market demand.

Because the ultimate proceeds to the seller are dependent upon the trading price for existing shares immediately before pricing, global book-building exercises can be vulnerable if shareholders or others engage in short-selling or in outright share sales.

It was this point which made the UK government's BT3 sale so controversial and almost from the start, S.G. Warburg, global co-ordinator for the deal, was embroiled in controversy.

In the weeks leading up to the sale of 1.31bn shares in BT in July 1993, there were charges and counter-charges of attempts to manipulate the BT share price, both by institutional investors and Warburg.

In that environment, the fact that the sale raised £3.79bn for the Treasury while most institutional investors surveyed viewed the sale as a success, is an achievement.

The NAO report, issued last week, lists three key factors contributing to this success.

First, the Treasury and its advisers, Warburg, kept the markets in the dark about exactly how many shares were going to be offered to international investors. They were told the amount they could buy would depend on the level of domestic demand.

Second, the sales and commission structure was such that the firm which worked the hardest to sell the shares could receive the commission, even if ultimately the bid to buy shares was booked through another firm. The NAO study shows that while 57 per cent of allocations to institutions were booked through Warburg, it only earned 36 per cent of the sales commission.

Third, the Treasury and Warburg went to great lengths to ensure that those who had sold BT shares before the offering would be denied the opportunity to buy new ones.

It was this final effort which caused such friction between UK institutional investors and Warburg. The NAO report contains the startling admission that the Treasury went so far as to discuss asking the financial regulators to give it information about who was selling BT shares so it could deny them allocations from the offering. After hearing from its own lawyers that this was clearly illegal, the Treasury considered other methods.

In the end, the Treasury and Warburg had to content themselves with an undertaking by the Stock Exchange to monitor large transactions in BT shares in the run-up to pricing. The rancour among institutional investors showed, although the report suggests this may have actually deterred some sales.

Norma Cohen

OTHER MARKETS

CHEMICALS

Following ICI's third-quarter figures, which drew a dull response from the London stock market last Thursday, three continental European majors produce their progress reports this week.

DSM, which built its business on the ruins of the Dutch coal mining industry, is like ICI in that it is highly involved in the commodity chemical part of the business and will benefit most from a strong recovery in prices for a number of petrochemical and plastics products since August, says Hoare Govett.

The broker expects DSM's sales to rise to Fl 2.3bn from Fl 1.9bn, compared with the third quarter of 1993, and pre-tax profits to come out at Fl 138m against a corresponding loss of Fl 79m. It says that prospects for the last quarter are even better, as in this period the third-quarter price increases will be reflected fully in the results.

Goldman Sachs, too, has produced a sector preview in which it says that Akzo Nobel, which combined its Dutch and Swedish components last year, should bring net third-quarter earnings of around Fl 330m into its figures on Wednesday, up from Fl 247m the year before, the rate of increase easing from 48 per cent in the second quarter to over 30 per cent in the third. Goldman says that investors will be looking for any evidence of pressure on margins from cost increases further upstream.

Both brokers expect Rhône-Poulenc, due on Thursday, to show figures which bring it out of loss for the first time this year. Hoare Govett reckons that an increase in operating margins from 6.8 per cent in the third quarter of 1993 to close on 10 per cent should produce net attributable profits of some FFr465m, against a loss of FFr300m in the year-earlier period.

Meanwhile, Goldman expects moderate out-performance from the French stock, saying that its apparently poor earnings performance in the first half of 1994 reflected erratic non-operating items; and that at operating level, and excluding exceptional items, Rhône-Poulenc's experience should have been in line with its peers.

AMSTERDAM

The Dutch market also hosts quarterly figures, both on Thursday, from KLM and Philips. In August, KLM posted a strong increase in net profit in the first quarter of 1994-95, reflecting good demand for air travel sparked by general economic recovery as well as the company's cost-cutting efforts. In the same month, Philips more than trebled its profits in the second quarter of 1994, beating even the most optimistic of analysts' forecasts for the electronics group.

UBS reckons that all of the Dutch majors, including DSM and Akzo, could produce positive surprises this week, and says that Philips looks undervalued on discounts of more than 25 per cent for 1995 and 1996.

ZURICH

Depressed by the under-performance of UBS shares during its board's power struggle with Mr Martin Ebner's BK Vision, the bourse has the opportunity to look elsewhere in the financial sector this Thursday.

Winterthur, the insurance group, is due to produce half-year figures and report on prospects for the rest of 1994.

TOKYO

With the Japan Tobacco listing and oversupply worries out of the way, investors will focus on corporate results and currency movements this week, *writes Emiko Terazono.*

Interim results so far have proved better than expected for many export-orientated companies, due to demand from the US and Asia.

However, profit announcements have failed to move share prices. Life insurers, the leading institutional investors, are still cautious, interest among overseas investors is waning and many analysts believe that public funds remain the only source of buying. While underlying support of the Nikkei around 19,000 is firm, share prices are unlikely to see aggressive buying this week.

HONG KONG

The long-awaited Sino-British agreement on Hong Kong's new airport is expected to come through early this week, with potential to stir the market, *writes Louise Lucas.*

Airport-related stocks ticked upwards at the end of last week but many analysts reckon the agreement has already been discounted in share prices, and that the actual signing will do little to overturn jaded sentiment.

A sprinkling of corporate results, beginning with the half-year figures from Hongkong Telecom on Tuesday, could spark a wave of selective buying. The telecoms stock has seen its price surge already on the back of the HK$2bn investment in China announced earlier this month.

Fears of interest rate rises continue to spook the market and keep investors sidelined. While a 0.5 per cent rise in the US next month has largely been factored in, fears remain of a further increase before the year-end.

Compiled by William Cochrane

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.10.94: Pool purchase price £/MWh	Final Prices for Trading on 02.10.94: Pool purchase price £/MWh	Final Prices for Trading on 02.10.94: Pool selling price £/MWh
0030	10.02	10.10	10.10
0100	31.28	9.54	9.54
0130	31.28	9.55	9.55
0200	31.28	9.58	9.58
0230	17.84	11.35	14.57
0300	9.48	9.58	9.58
0330	9.48	9.55	9.55
0400	9.19	9.54	9.54
0430	8.11	9.54	9.54
0500	8.10	9.54	9.54
0530	8.25	9.53	9.53
0600	8.22	9.53	9.53
0630	8.16	9.54	9.54
0700	8.16	9.54	9.54
0730	8.16	9.54	9.54
0800	8.16	10.88	13.88
0830	8.16	11.29	14.51
0900	9.22	12.03	15.25
0930	9.55	12.10	15.32
1000	20.11	18.95	20.17
1030	19.47	16.81	20.03
1100	27.00	18.30	21.52
1130	30.51	21.09	24.31
1200	46.51	30.02	33.24
1230	46.51	30.02	33.24
1300	46.51	30.02	33.24
1330	46.51	30.02	33.24
1400	27.00	21.09	24.31
1430	23.45	14.96	18.18
1500	10.06	10.20	10.20
1530	10.06	9.68	9.68
1600	20.11	9.68	9.68
1630	32.89	9.68	9.68
1700	35.42	18.30	21.52
1730	46.09	14.96	18.18
1800	46.09	18.30	21.52
1830	46.09	18.97	22.19
1900	36.54	31.06	34.28
1930	36.54	40.00	43.22
2000	35.42	40.00	43.22
2030	33.39	31.06	34.28
2100	33.39	31.06	34.28
2130	26.20	19.17	22.39
2200	26.20	19.17	22.39
2230	19.98	16.95	20.17
2300	18.72	15.49	18.71
2330	10.02	12.14	15.36
2400	9.22	9.55	9.55

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 6:15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 31.10.94: Pool purchase price £/MWh	Final Prices for Trading on 03.10.94: Pool purchase price £/MWh	Final Prices for Trading on 03.10.94: Pool selling price £/MWh
0030	9.21	9.54	9.54
0100	18.38	9.54	9.54
0130	18.38	9.54	9.54
0200	18.38	9.55	9.55
0230	18.38	9.55	9.55
0300	18.38	9.55	9.55
0330	18.38	9.54	9.54
0400	9.55	9.54	9.54
0430	9.55	9.54	9.54
0500	9.55	9.54	9.54
0530	9.19	8.90	8.90
0600	9.22	9.51	9.51
0630	10.27	10.20	10.20
0700	29.68	16.64	18.78
0730	29.34	16.46	18.60
0800	33.85	16.88	18.81
0830	33.88	17.20	19.35
0900	37.36	20.17	22.34
0930	35.09	20.23	22.41
1000	39.38	20.28	22.48
1030	39.51	20.30	22.50
1100	39.62	20.31	22.51
1130	42.26	20.33	22.55
1200	45.05	36.12	38.36
1230	44.97	36.06	38.30
1300	44.58	36.00	38.20
1330	37.70	20.18	22.32
1400	37.49	17.42	19.57
1430	37.37	17.41	19.55
1500	34.91	17.40	19.55
1530	18.31	17.40	19.55
1600	20.41	17.42	19.58
1630	110.33	18.12	20.28
1700	164.89	35.95	38.12
1730	180.28	35.94	38.11
1800	181.14	35.91	38.07
1830	68.09	17.51	19.69
1900	59.70	18.40	20.65
1930	49.68	36.44	38.69
2000	46.53	36.36	38.59
2030	43.11	24.81	27.07
2100	38.31	17.40	19.55
2130	38.29	17.39	19.53
2200	33.62	17.18	19.30
2230	33.62	16.64	18.78
2300	29.63	16.64	18.78
2330	10.21	15.58	17.70
2400	9.22	10.40	10.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 6:15pm Monday to Friday.
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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 28 / Sch)

BELGIUM/LUXEMBOURG (Oct 28 / Frs.)

DENMARK (Oct 28 / Kr)

FINLAND (Oct 28 / Mks)

FRANCE (Oct 28 / Frs.)

GERMANY (Oct 28 / Dm.)

ITALY (Oct 28 / Lire)

NETHERLANDS (Oct 28 / Fls.)

NORWAY (Oct 28 / Kroner)

SPAIN (Oct 28 / Pts.)

SWEDEN (Oct 28 / Kronor)

SWITZERLAND (Oct 28 / Frs.)

PACIFIC

JAPAN (Oct 28 / Yen)

HONG KONG (Oct 28 / H.K.$)

MALAYSIA (Oct 28 / MYR)

SINGAPORE (Oct 28 / S$)

AUSTRALIA (Oct 28 / Aust.$)

NORTH AMERICA

CANADA

TORONTO (Oct 28 / Can $) 4 pm close

MONTREAL (Oct 28 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Oct 28 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, October 28, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.0m	396	+2	Sharp	4.2m	1,790	
NKK	7.4m	297	+6	Kobe Steel	4.2m	330	+6
Hitachi Zosen	6.7m	554	+6	NTN	3.8m	727	-28
Sumitomo Mtl Ind	5.6m	361	+7	Kawasaki Steel	3.3m	444	+2
Mitsubishi Heavy	4.8m	775	+2	Oki Elect	3.1m	762	+1

INDICES

	Oct 28	Oct 27	Oct 26	1994 High		1994 Low	
Argentina							
General (29/12/77)	19507.79	19160.17	18935.45	25470.40	16/2	17756.90	20/4
Australia							
All Ordinaries(1/1/80)	2021.2	2032.2	2017.8	2340.60	3/2	2017.80	27/10
All Mining(1/1/80)	1070.8	1078.9	1068.2	1138.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	381.43	379.75	(c)	460.66	2/2	376.94	25/10
Traded Index(2/1/91)	1025.13	1020.19	(c)	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1371.74	1357.11	1354.00	1542.85	8/2	1338.38	7/10
Brazil							
Bovespa (29/12/83)	49278.0	47067.0	48637.0	58110.00	13/9	3800.90	3/1
Canada							
Metals Mins♦(1975)	4195.65	4212.92	4220.97	4276.02	20/10	3298.06	20/4
Composite♦ (1975)	4388.60	4365.50	4360.00	4808.90	23/3	3959.90	24/6
Portfolio§§ (4/1/83)	2072.72	2063.17	2059.18	2182.69	1/2	1888.46	28/6
Chile							
IPGA Gen (31/12/80)	5624.4	5581.8	5512.2	6879.20	19/10	3801.20	4/4
Denmark							
CopenhagenSE(3/1/83)	342.09	343.90	344.76	415.79	2/2	339.11	7/10
Finland							
HEX General(28/12/90)	1958.8	1945.9	1922.9	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1266.92	1243.52	1231.77	1585.20	2/2	1227.88	25/10
CAC 40(31/12/87)	1905.69	1858.11	1831.54	2355.93	2/2	1824.42	25/10
Germany							
FAZ Aktien(31/12/58)	769.34	763.27	763.32	869.27	18/5	742.04	5/10
Commerzbank(1/12/53)	2188.10	2169.4	2169.5	2488.90	2/5	2116.30	5/10
DAX (30/12/87)‡	2040.32	2013.20	2030.50	2271.11	18/5	1980.59	7/10
Greece							
Athens SE(31/12/80)	(c)	822.08	818.49	1184.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9378.47	9304.58	9252.44	12201.09	4/1	8388.44	4/5
India							
BSE Sens.(1979)	4274.71	4338.74	4357.44	4628.57	12/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	516.41	517.85	516.32	612.89	5/1	446.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1830.19	1810.06	1798.34	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	624.21	612.73	610.41	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1010.0	992.0	988.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	19805.16	19796.36	19746.39	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	288.79	287.14	286.60	311.71	13/6	258.22	4/1
Topix (4/1/68)	1597.32	1598.44	1588.94	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2190.06	2194.74	2194.89	2542.88	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1113.04	1101.74	1105.54	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2592.29	2580.00	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	437.6	430.9	428.8	464.90	31/1	408.30	21/6
CBS All Shr (End 83)	274.8	270.6	268.1	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2095.17	2090.42	2069.33	2439.84	3/2	1946.81	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1059.82	1054.15	1055.18	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3068.52	3060.25	3078.26	3386.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2891.8	2880.0	2886.7	3226.60	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	581.82	580.60	581.52	641.84	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2292.0♥	2297.0	2280.0	2534.09	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6602.0♥	6588.0	6570.0	6757.00	15/6	5446.60	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1082.58	1084.71	1092.03	1113.29	18/10	855.37	2/4
Spain							
Madrid SE (30/12/85)	295.33	291.01	288.65	359.31	31/1	288.65	26/10
Sweden							
AffarsvardnGen (1/2/37)	1471.80	1468.60	1455.40	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1157.79	1138.72	1151.05	1423.34	31/1	1138.72	27/10
SBC General (1/4/87)	896.67	878.57	884.16	1093.29	31/1	878.57	27/10
Taiwan							
WeightedPr.(30/6/66)**	6604.98	6594.97	6685.87	7191.13	30/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1508.12	1501.73	1514.07	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(c)	24856.4	24909.5	28883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	636.0*	633.8	630.6	644.00	2/9	581.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1326.61	1303.20	1300.71	1540.19	31/1	1288.48	5/10
Euro Top-100 (26/6/90)	1175.34	1154.30	1149.32	1311.81	2/2	1136.48	5/10
JCapelDrgns (31/12/88)	(u)	334.05	333.45	386.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	182.03	180.89	180.77	191.78	26/8	141.55	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	1864.0	1858.0	+37.0	1895.0	1860.0	33,376	11,281
Nov	1870.0	1915.0	+50.0	1916.0	1868.5	27,284	20,302
Dec	1879.0	1924.5	+50.5	1925.0	1875.0	611	27,335

Open interest figures for previous day.

** Sat Oct 22: Taiwan Weighted Price 6770.98; Korea Comp Ex 1088.90. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Oct 28 - 2064.86 +38.49

US INDICES

Dow Jones	Oct 28	Oct 27	Oct 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3930.66	3875.15	3848.23	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.21	95.16	95.16	105.61 (21/1)	95.16 (26/10)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1538.77	1495.32	1470.87	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.65	178.16	177.04	227.88 (3/1)	175.85 (20/9)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3953.54 (3893.99) Low 3863.37 (3834.44) (Theoretical♦)
Day's high 3932.01 (3875.15) Low 3873.80 (3848.23) (Actual♦)

Standard and Poors	Oct 28	Oct 27	Oct 26	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	473.77	465.85	462.62	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	563.10	554.28	551.13	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	43.90	42.91	42.42	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.43	255.57	253.91	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	458.16	455.09	453.53	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	776.15	767.47	763.24	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 21	Oct 14	Oct 7	Year ago
Dow Jones Ind. Div. Yield	2.72	2.71	2.79	2.79
	Oct 26	Oct 19	Oct 12	Year ago
S & P Ind. Div. yield	2.39	2.36	2.37	2.42
S & P Ind. P/E ratio	20.82	21.11	20.91	28.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	467.20	476.20	+9.00	476.90	465.85	67,174	224,300
Mar	470.50	479.40	+9.00	480.10	470.00	2,466	12,922
Jun	479.25	483.25	+9.00	483.70	473.90	222	3,274

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Gen Motor	6,304,100	40¼	+⅛
Compaq	5,151,000	40¼	+2
Halliburton	3,640,400	38¼	+4⅝
US Shoe	3,442,500	17½	-¼
RJR Nabisco	3,249,000	6⅞	-⅛
USX Marath	3,234,600	18¾	+⅝
Sprint	3,216,300	33	+⅝
Telefonos	2,873,300	56⅛	-⅜
Ford	2,873,700	29⅛	+⅛
IBM	2,709,700	75⅞	+1⅞

■ TRADING ACTIVITY

● Volume (million)

	Oct 28	Oct 27	Oct 26
New York SE	381.350	327.610	322.528
Amex	17.302	23.474	18.043
NASDAQ	(u)	299.238	283.253
NYSE			
Issues Traded	2,879	2,875	2,885
Rises	1,846	1,260	977
Falls	621	698	1,210
Unchanged	612	698	698
New Highs	97	44	19
New Lows	126	173	181

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2375	-0.0078	281 - 469	17.2735	17.1585	17.2332	0.3	17.2213	0.4	-	-	115.4
Belgium	(BFr)	50.3835	-0.0052	455 - 414	50.4800	50.2590	50.3635	0.7	50.3085	0.7	49.8535	1.1	117.2
Denmark	(DKr)	9.5821	+0.0018	775 - 866	9.5998	9.5509	9.5773	0.6	9.5961	-0.6	9.6256	-0.5	117.2
Finland	(FM)	7.4746	+0.032	642 - 850	7.4950	7.4490	-	-	-	-	-	-	89.1
France	(FFr)	8.3880	-0.0037	831 - 928	8.4036	8.3664	8.3888	-0.1	8.3815	0.3	8.3148	0.9	110.6
Germany	(DM)	2.4505	-0.0014	491 - 519	2.4570	2.4422	2.4493	0.6	2.4456	0.8	2.4123	1.6	126.5
Greece	(Dr)	377.172	-0.52	974 - 369	378.209	376.162	-	-	-	-	-	-	-
Ireland	(I£)	1.0138	-0.0013	131 - 145	1.0165	1.0107	1.0136	0.2	1.0133	0.2	1.015	-0.1	105.7
Italy	(L)	2506.28	+3.13	469 - 788	2509.83	2500.12	2512.18	-2.8	2523.18	-2.7	2571.38	-2.6	74.6
Luxembourg	(LFr)	50.3835	-0.0052	455 - 414	50.4800	50.2590	50.3635	0.7	50.3085	0.7	49.8535	1.1	117.2
Netherlands	(Fl)	2.7454	-0.0029	437 - 470	2.7514	2.7413	2.7441	0.5	2.7402	0.8	2.7047	1.5	121.1
Norway	(NKr)	10.8489	-0.0081	440 - 538	10.8777	10.8330	10.8484	0.1	10.8517	-0.1	10.8525	0.0	96.8
Portugal	(Es)	250.344	-0.053	186 - 502	250.871	248.790	252.074	-8.3	255.254	-7.8	-	-	-
Spain	(Pta)	203.977	+0.097	849 - 104	204.313	202.489	204.322	-2.0	209.382	-10.6	207.497	-1.7	86.0
Sweden	(SKr)	11.6689	+0.0475	572 - 806	11.7071	11.5683	11.6899	-2.2	11.7369	-2.3	11.9249	-2.2	76.2
Switzerland	(SFr)	2.0460	-0.0027	445 - 474	2.0534	2.0401	2.0429	1.8	2.0362	1.9	1.994	2.5	122.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.7
Ecu	-	1.2851	-	842 - 860	1.2879	1.2803	1.285	0.1	1.285	0.0	1.2791	0.5	-
SDR†	-	0.811989	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6236	-0.0135	230 - 242	1.6376	1.6229	-	-	-	-	-	-	-
Brazil	(R)	1.3760	-0.0169	747 - 772	1.3900	1.3740	-	-	-	-	-	-	-
Canada	(C$)	2.1915	-0.0174	904 - 926	2.2130	2.1900	2.1907	0.5	2.1891	0.4	2.1824	0.4	87.1
Mexico	(New Peso)	5.5739	-0.0392	555 - 922	5.6128	5.5545	-	-	-	-	-	-	-
USA	($)	1.6235	-0.0142	230 - 240	1.6383	1.6230	1.6229	0.4	1.6225	0.3	1.6123	0.7	61.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1852	-0.0182	838 - 866	2.2052	2.1819	2.1852	0.0	2.1865	-0.2	2.2046	-0.9	-
Hong Kong	(HK$)	12.5453	-0.1089	406 - 499	12.6588	12.5404	12.5362	0.9	12.5312	0.4	12.4607	0.7	-
India	(Rs)	50.9292	-0.4885	095 - 489	51.4020	50.9070	-	-	-	-	-	-	-
Japan	(Y)	158.024	-0.656	918 - 129	158.850	157.900	157.594	3.3	156.599	3.6	151.244	4.3	189.5
Malaysia	(M$)	4.1446	-0.0838	425 - 467	4.1785	4.1416	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6379	-0.0276	360 - 398	2.6635	2.6345	2.6418	-1.8	2.6498	-1.8	2.6718	-1.3	-
Philippines	(Peso)	40.4252	-0.3523	318 - 186	40.5400	40.3275	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0902	-0.0531	878 - 924	6.1453	6.0857	-	-	-	-	-	-	-
Singapore	(S$)	2.3890	-0.0184	874 - 905	2.4083	2.3870	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6839	-0.0475	805 - 872	5.7296	5.6788	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5346	+0.0085	163 - 528	6.6238	6.5124	-	-	-	-	-	-	-
South Korea	(Won)	1293.04	-12.33	239 - 368	1304.58	1293.02	-	-	-	-	-	-	-
Taiwan	(T$)	42.2788	-0.4	613 - 963	42.6597	42.2611	-	-	-	-	-	-	-
Thailand	(Bt)	40.4495	-0.3124	208 - 782	40.7870	40.4200	-	-	-	-	-	-	-

†SDR rates for Oct 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6175	+0.087	150 - 200	10.6200	10.5070	10.6175	0.0	10.6173	0.0	10.5425	0.7	104.5
Belgium	(BFr)	31.0400	+0.265	200 - 600	31.0600	30.7170	31.04	0.0	31.01	0.4	30.94	0.3	108.1
Denmark	(DKr)	5.9021	+0.0521	011 - 031	5.9040	5.8937	5.9063	-0.9	5.9136	-0.8	5.9491	-0.8	105.6
Finland	(FM)	4.6040	+0.0593	990 - 090	4.6090	4.5543	4.6052	-0.3	4.6	0.3	4.605	0.0	84.0
France	(FFr)	5.1666	+0.0424	652 - 680	5.1697	5.1085	5.1684	-0.4	5.1666	0.0	5.1601	0.1	106.9
Germany	(D)	1.5094	+0.0122	090 - 099	1.5125	1.4925	1.5095	-0.1	1.5076	0.5	1.4971	0.8	107.4
Greece	(Dr)	232.320	+1.89	270 - 370	232.370	230.300	232.61	-1.5	233.145	-1.4	235.495	-1.4	68.4
Ireland	(I£)	1.6014	-0.012	008 - 020	1.6210	1.5998	1.6014	0.0	1.6014	0.0	1.5884	0.8	-
Italy	(L)	1543.75	+15.25	325 - 425	1544.25	1528.79	1548	-3.3	1555.25	-3.0	1595.25	-3.3	75.1
Luxembourg	(LFr)	31.0400	+0.265	200 - 600	31.0600	30.7170	31.04	0.0	31.01	0.4	30.94	0.3	108.1
Netherlands	(Fl)	1.6910	+0.0128	905 - 915	1.6938	1.6744	1.6911	-0.1	1.6892	0.4	1.6787	0.7	105.9
Norway	(NKr)	6.5592	+0.0517	582 - 602	6.5670	6.4895	6.5624	-0.6	6.5752	-1.0	6.6089	-0.8	96.8
Portugal	(Es)	154.200	+1.3	150 - 250	154.370	152.100	154.775	-4.5	155.9	-4.4	159.95	-3.7	95.2
Spain	(Pta)	125.640	+1.145	600 - 680	125.680	124.350	125.905	-2.5	124.915	2.3	128.74	-2.5	81.0
Sweden	(SKr)	7.1875	+0.0911	825 - 925	7.1925	7.0768	7.2017	-2.4	7.2285	-2.3	7.3635	-2.4	82.1
Switzerland	(SFr)	1.2602	+0.0092	597 - 607	1.2627	1.2455	1.2589	1.3	1.2552	1.6	1.2376	1.8	108.1
UK	(£)	1.6235	-0.0142	230 - 240	1.6383	1.6230	1.6229	0.4	1.6225	0.3	1.6123	0.7	89.2
Ecu	-	1.2633	-0.011	628 - 638	1.2757	1.2621	1.2626	0.7	1.2623	0.3	1.2598	0.3	-
SDR†	-	1.49320	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0004	000 - 001	1.0001	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.8475	-0.003	470 - 480	0.8500	0.8470	-	-	-	-	-	-	-
Canada	(C$)	1.3499	+0.0011	498 - 501	1.3515	1.3489	1.3498	0.0	1.3494	0.1	1.3547	-0.4	83.7
Mexico	(New Peso)	3.4333	+0.0058	230 - 435	3.4495	3.4230	3.4343	-0.3	3.4361	-0.3	3.4436	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3460	+0.0005	455 - 464	1.3473	1.3441	1.3463	-0.2	1.347	-0.3	1.3543	-0.6	85.5
Hong Kong	(HK$)	7.7273	-0.0003	268 - 278	7.7278	7.7268	7.7284	0.1	7.726	0.1	7.7358	-0.1	-
India	(Rs)	31.3700	-0.015	675 - 725	31.3850	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	97.3350	+0.44	000 - 700	97.4000	96.8000	97.115	2.7	96.535	3.3	93.89	3.5	150.6
Malaysia	(M$)	2.5529	+0.0014	524 - 534	2.5534	2.5510	2.5437	4.3	2.5324	3.2	2.6059	-2.1	-
New Zealand	(NZ$)	1.6249	-0.0027	242 - 255	1.6287	1.6242	1.6259	-0.7	1.6277	-0.7	1.633	-0.5	-
Philippines	(Peso)	24.9000	-	500 - 500	24.9500	24.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7513	-	510 - 515	3.7515	3.7510	3.7526	-0.4	3.7567	-0.6	3.7753	-0.6	-
Singapore	(S$)	1.4715	+0.0015	710 - 720	1.4720	1.4705	1.4702	1.1	1.4683	0.9	1.4615	0.7	-
S Africa (Com.)	(R)	3.5010	+0.0012	000 - 020	3.5030	3.4915	3.5165	-5.3	3.5448	-5.0	3.6215	-3.4	-
S Africa (Fin.)	(R)	4.0250	+0.04	150 - 350	4.0500	4.0000	4.0587	-10.1	4.1175	-9.2	-	-	-
South Korea	(Won)	796.450	-0.65	300 - 600	797.100	796.300	799.45	-4.5	802.95	-3.3	821.45	-3.1	-
Taiwan	(T$)	26.0418	-0.0192	390 - 445	26.0580	26.0390	26.0618	-0.9	26.1018	-0.9	-	-	-
Thailand	(Bt)	24.9150	+0.0245	050 - 250	24.9250	24.9000	24.9875	-3.5	25.115	-3.2	25.595	-2.7	-

†SDR rate for Oct 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 27. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅝	4⅞	5¼	5⅝	6⅜	7.40	4.50	-
week ago	4⅝	4⅞	5¼	5⅝	6¼	7.40	4.50	-
France	5⅛	5⅞	5⅝	5⅞	6⅜	5.00	-	6.75
week ago	5⅝	5⅞	5⅝	5⅞	6⅝	5.00	-	6.75
Germany	4.78	4.95	5.15	5.30	5.65	6.00	4.50	4.85
week ago	4.82	4.95	5.15	5.25	5.58	6.00	4.50	4.85
Ireland	5⅛	5¼	5⅞	6½	7⅝	-	-	6.25
week ago	4⅞	5¼	5⅞	6⅝	7⅛	-	-	6.25
Italy	8¼	8⅜	8⅞	9⅜	10⅛	-	7.50	8.20
week ago	8⅛	8⅜	8⅝	9¼	10⅛	-	7.50	8.20
Netherlands	4.84	4.97	5.20	5.34	5.74	-	5.25	-
week ago	4.84	4.97	5.17	5.30	5.89	-	5.25	-
Switzerland	3⅜	3⅞	4⅛	4¼	4⅝	6.625	3.50	-
week ago	3⅞	3⅞	4⅛	4¼	4⅝	6.625	3.50	-
US	4⅞	4⅞	5⅝	5⅞	6½	-	4.00	-
week ago	4⅝	4⅞	5⅜	5⅞	6⅜	-	4.00	-
Japan	2⅜	2¼	2⅜	2⅜	2⅝	-	1.75	-
week ago	2¼	2¼	2⅝	2½	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅞	6	6⅜	-	-	-
week ago	-	5⅛	5⅝	5⅞	6½	-	-	-
US Dollar CDs	-	4.88	5.35	5.71	6.31	-	-	-
week ago	-	4.88	5.38	5.71	6.30	-	-	-
SDR Linked Ds	-	3⅝	3⅞	3⅞	4	-	-	-
week ago	-	3⅝	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5¼ - 5⅛	5⅝ - 5½	6⅜ - 6¼
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6½ - 6¼	6⅞ - 6⅝	7⅝ - 7⅜
D-Mark	5 - 4⅞	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	5³⁄₁₆ - 5¹⁄₁₆	5⅜ - 5¼	5¹³⁄₁₆ - 5⁹⁄₁₆
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5¼ - 5⅛	5⅜ - 5¼	5⅞ - 5⅝
French Franc	5⅝ - 5⅛	5⁷⁄₁₆ - 5⁵⁄₁₆	5⅝ - 5⁷⁄₁₆	5⅝ - 5½	6¹⁄₁₆ - 5¹⁵⁄₁₆	6⅝ - 6⅜
Portuguese Esc.	9⅛ - 9	9⅛ - 9	9½ - 9¼	10⅛ - 9¾	10⅜ - 10	10⅝ - 10⅜
Spanish Peseta	7⁵⁄₁₆ - 7⅛	7⁵⁄₁₆ - 7⅛	7⁵⁄₁₆ - 7³⁄₁₆	7¹⁵⁄₁₆ - 7¾	8⅝ - 8¼	9⅛ - 8¹³⁄₁₆
Sterling	5⅝ - 5⅜	5⁷⁄₁₆ - 5⁵⁄₁₆	5¹¹⁄₁₆ - 5⁹⁄₁₆	6 - 5⅞	6⁷⁄₁₆ - 6⅝	7⅜ - 7³⁄₁₆
Swiss Franc	3⅝ - 3½	3⅝ - 3½	3¹¹⁄₁₆ - 3⁹⁄₁₆	4 - 3⅞	4³⁄₁₆ - 4¹⁄₁₆	4⅝ - 4½
Can. Dollar	5 - 4¹³⁄₁₆	5 - 4¹³⁄₁₆	5¹⁄₁₆ - 4¹⁵⁄₁₆	5½ - 5⅜	6¹⁄₁₆ - 5¹⁵⁄₁₆	6⅞ - 6¾
US Dollar	4¾ - 4⅝	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5¹¹⁄₁₆ - 5⁹⁄₁₆	6 - 5⅞	6⁹⁄₁₆ - 6⁷⁄₁₆
Italian Lira	9 - 7½	8¼ - 8⅛	8⁵⁄₁₆ - 8³⁄₁₆	8¹³⁄₁₆ - 8¹¹⁄₁₆	9⅜ - 9¼	10⅛ - 10
Yen	2⁵⁄₁₆ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2½ - 2⅜	2¹³⁄₁₆ - 2¾
Asian $Sing	1⅞ - 1¾	1⅞ - 1¾	2⁷⁄₁₆ - 2⁵⁄₁₆	3⁷⁄₁₆ - 3⁵⁄₁₆	3⅝ - 3½	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.99	94.06	+0.07	94.08	93.94	64,021	421,540
Mar	93.56	93.62	+0.06	93.64	93.49	79,257	389,743
Jun	93.09	93.15	+0.06	93.18	93.03	48,228	291,695

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Dec	94.59	94.65	+0.06	94.67	94.56	390	17,860
Mar	94.09	94.14	+0.05	94.16	94.06	149	10,552
Jun	-	93.68	+0.05	93.70	93.61	38	5,645

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.01	16.65	4.862	2.010	4973	5.448	21.12	496.7	404.6	23.14	4.060	1.985	4.348	3.221	313.6	2.550
Denmark	(DKr)	52.59	10	8.755	2.557	1.057	2616	2.865	11.11	261.2	212.8	12.17	2.135	1.044	2.287	1.694	164.9	1.341
France	(FFr)	60.07	11.42	10	2.921	1.208	2988	3.273	12.68	298.4	243.1	13.90	2.439	1.192	2.612	1.935	188.4	1.532
Germany	(DM)	20.57	3.911	3.424	1	0.413	1023	1.120	4.343	102.2	83.22	4.759	0.835	0.408	0.894	0.662	64.49	0.524
Ireland	(I£)	49.74	9.458	8.280	2.419	1	2474	2.710	10.50	247.1	201.3	11.51	2.020	0.987	2.163	1.602	156.0	1.269
Italy	(L)	2.011	0.382	0.335	0.098	0.040	100.	0.110	0.425	9.988	8.136	0.465	0.082	0.040	0.087	0.065	6.305	0.051
Netherlands	(Fl)	18.36	3.490	3.056	0.893	0.369	912.9	1	3.876	91.18	74.28	4.248	0.745	0.364	0.798	0.591	57.56	0.468
Norway	(NKr)	47.38	9.005	7.883	2.303	0.952	2355	2.580	10	235.2	191.6	10.96	1.923	0.940	2.059	1.525	148.5	1.208
Portugal	(Es)	20.13	3.828	3.351	0.979	0.405	1001	1.097	4.251	100.	81.46	4.658	0.817	0.400	0.875	0.648	63.12	0.513
Spain	(Pta)	24.71	4.699	4.114	1.202	0.497	1229	1.346	5.218	122.8	100.	5.718	1.003	0.490	1.075	0.796	77.49	0.630
Sweden	(SKr)	43.22	8.217	7.194	2.101	0.869	2149	2.354	9.125	214.7	174.9	10	1.755	0.858	1.879	1.392	135.5	1.102
Switzerland	(SFr)	24.63	4.683	4.100	1.197	0.495	1225	1.342	5.200	122.3	99.66	5.699	1	0.489	1.071	0.793	77.22	0.628
UK	(£)	50.39	9.581	8.388	2.450	1.013	2506	2.745	10.64	250.3	203.9	11.66	2.046	1	2.191	1.623	158.0	1.285
Canada	(C$)	23.00	4.373	3.828	1.118	0.462	1144	1.253	4.856	114.2	93.06	5.322	0.934	0.456	1	0.741	72.11	0.586
US	($)	31.05	5.903	5.168	1.510	0.624	1544	1.691	6.556	154.2	125.6	7.184	1.261	0.616	1.350	1	97.35	0.792
Japan	(Y)	31.89	6.064	5.309	1.551	0.641	1586	1.737	6.734	158.4	129.1	7.380	1.295	0.633	1.387	1.027	100.	0.813
Ecu		39.21	7.458	6.528	1.907	0.788	1950	2.136	8.280	194.8	158.7	9.074	1.592	0.778	1.705	1.263	123.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open Int.
Dec	0.6676	0.6625	-0.0054	0.6705	0.6592	24,484	87,503
Mar	0.6693	0.6637	-0.0055	0.6712	0.6605	215	4,555
Jun	0.6732	0.6653	-0.0056	0.6732	0.6625	1	615

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Dec	0.8000	0.7944	-0.0056	0.8044	0.7907	17,898	41,057
Mar	0.7985	0.7977	-0.0057	0.8075	0.7942	582	2,030
Jun	0.8100	0.8018	-0.0057	0.8100	0.7990	21	182

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	1.0352	1.0313	-0.0049	1.0375	1.0265	11,623	60,743
Mar	1.0425	1.0396	-0.0051	1.0454	1.0371	362	7,086
Jun	-	1.0496	-0.0053	-	-	279	718

■ STERLING FUTURES (IMM) £62,500 per £

Dec	1.6352	1.6216	-0.0142	1.6380	1.6174	9,228	46,366
Mar	1.6440	1.6206	-0.0140	1.6440	1.6166	37	529
Jun	-	1.6174	-0.0134	1.6320	1.6130	1	9

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.550	6.98	7.16	7.42	-	0.20	0.51
1.575	4.56	5.03	5.45	0.04	0.56	1.02
1.600	2.44	3.22	3.77	0.33	1.23	1.81
1.625	0.89	1.89	2.48	1.27	2.32	2.89
1.650	0.20	0.96	1.52	3.02	3.86	4.40
1.675	0.03	0.45	0.87	5.30	5.80	6.22

Previous day's vol., Calls 5,661 Puts 11,176 . Prev. day's open int., Calls 434,832 Puts 404,758

■ Pound in New York

Oct 28	— Close —	— Prev. close —
£ spot	1.6240	1.6385
1 mth	1.6234	1.6359
3 mth	1.6229	1.6355
1 yr	1.6135	1.6253

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

FT GOLD MINES INDEX

	Oct 28	% chg since 31/12/93	Oct 27	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2189.85	-2.8	2210.80	52.81	100.00	1.95	2367.40	1762.02
■ Regional Indices								
Africa (16)	3585.21	+8.5	3629.98	18.44	34.92	3.77	3711.87	2304.45
Australasia (7)	2814.53	+5.6	2891.26	6.89	13.05	1.73	3013.89	2169.34
North America (11)	1853.29	-11.2	1888.06	27.48	52.03	0.81	2039.65	1488.11

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Oct. 28: 279.4; week's change: -11.5 points; Year ago: 225.5.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.88	6½	4	APTA Wnts.	6½	+1	-	-	-	-
-	F.P.	9.29	73	63	Artesian Ests.	69	+3	-	-	-	-
100	F.P.	178.0	93	89	BZW Commodities	89		-	-	-	-
-	F.P.	18.0	47	42	Do. Wts	45		-	-	-	-
-	F.P.	1.30	1½	1	Cont'l Foods Wnts	1¼		-	-	-	-
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
-	F.P.	50.4	124	108	Filtronic C'tek	120		RN0.75	2.8	0.8	40.4
115	F.P.	39.1	126	115	Games Workshop	126		RN4.6	2.2	4.6	11.9
-	F.P.	2.24	35	27	Group Dv Cap Wts	27		-	-	-	-
-	F.P.	29.0	62	58	Hambros Sm Asian	58		-	-	-	-
-	F.P.	2.70	30	27	Do Warrants	27		-	-	-	-
180	F.P.	169.0	223	205	Irish Permanent	222	+7	uN6.0	4.6	3.4	7.7
180	F.P.	17.9	195	176	Mackie Intl	186		RN6.0	2.2	4.0	7.6
180	F.P.	424.0	181	160	Man ED & F	165	+4	RN6.6	1.6	6.5	9.1
-	F.P.	338.1	488	475	Prolific Inc.	483	+4	-	-	-	-
135	F.P.	58.7	149	136	Servisair	146		RN3.6	1.3	3.3	23.7
-	F.P.	111.0	379	355	Templeton E New	359		-	-	-	-
-	F.P.	8.28	62	57	Whitchurch	62	+1	RN1.25	3.0	2.5	13.0
-	F.P.	28.2	360	335	Wrexham Water	338		-	-	-	-
-	F.P.	4.74	330	320	Do. NV	320		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¼pm	+¼
118	Nil	28/11	20pm	8pm	Castles	8pm	
In4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
180	Nil	9/12	15½pm	5pm	Sidlaw	8pm	+1
k330p	Nil	29/11	59pm	25pm	Smurfit (J)	39pm	+14
5	Nil	15/11	2½pm	¼pm	§Union Square	¼pm	

UK INTEREST RATES

LONDON MONEY RATES

Oct 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅝ - 4¼	5⁷⁄₁₆ - 5⁵⁄₁₆	5½ - 5⅜	6 - 5⅞	6½ - 6¼	7⅜ - 7¼
Sterling CDs	-	-	5¹⁹⁄₃₂ - 5¹⁷⁄₃₂	5²⁹⁄₃₂ - 5²⁷⁄₃₂	6⁷⁄₁₆ - 6⅜	7⅜ - 7⁵⁄₁₆
Treasury Bills	-	-	5⅝ - 5½	5¾ - 5⅝	-	-
Bank Bills	-	-	5⅞ - 5⅝	5²⁹⁄₃₂ - 5²⁷⁄₃₂	6⅜ - 6¼	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5⁹⁄₁₆ - 5⁷⁄₁₆	5¾ - 5⅝	6⁵⁄₁₆ - 6³⁄₁₆	7⅛ - 6¹⁵⁄₁₆
Discount Market deps	6½ - 4½	5⅛ - 4¹³⁄₁₆	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Oct 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 28	Oct 21		Oct 28	Oct 21
Bills on offer	£500m	£500m	Top accepted rate	5.4349%	5.4349%
Total of applications	£2159m	£2842m	Ave. rate of discount	5.4342%	5.4229%
Total allocated	£500m	£500m	Average yield	5.5088%	5.4972%
Min. accepted bid	£98.645	£98.645	Offer at next tender	£500m	£500m
Allotment at min. level	94%	97%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 26, 1994	Increase or decrease for week
	£	£
Liabilities		
Capital	14,553,000	
Public deposits	988,244,011	-53,880,168
Bankers deposits	1,652,469,170	+140,926,767
Reserve and other accounts	3,250,454,595	-49,055,563
	5,905,720,776	+37,991,036
Assets		
Government securities	1,100,964,789	-154,180,000
Advance and other accounts	3,455,966,811	-599,146,917
Premise, equipment and other secs	1,344,468,265	+791,157,861
Notes	4,149,916	+136,874
Coin	170,995	+3,218
	5,905,720,776	+37,991,036
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,185,850,084	+39,863,126
Notes in Banking Department	4,149,916	+136,874
	18,190,000,000	+40,000,000
Assets		
Other Government securities	7,524,693,250	+1,486,789,617
Other Securities	10,665,306,750	-1,446,789,617
	18,190,000,000	+40,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williman Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

UK GILTS PRICES

Notes	Price £	Wk% +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 9pc 1994‡‡	100⅛xd	-.2	1,900	My17 Nv17	11.10	1245
12pc 1995	101⅞	-.1	2,350	Ja25 Jy25	20.6	1294
Exch 3pc Gas 1990-95	98⅝xd	—	214	My1 Nv1	26.9	1271
10¼pc 1995	102½	-.2	2,500	Ja21 Jy21	14.6	1254
Treas 12¾pc 1995‡‡	105⅛xd	-.2	840	My15 Nv15	10.10	1298
14pc 1996	107⅞	-.1	770	Ja22 Jy22	15.6	1305
15¼pc 1996‡‡	111⅞xd	-.1	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡	108⅝xd	-.1	800	My15 Nv15	10.10	1266
Conversion 10pc 1996	104xd	-.1	3,409	My15 Nv15	10.10	1240
Treas Cnv 7pc 1997‡‡	97⅝	0.1	1,889	Au6 Fe6	30.5	-
Treas 13¼pc 1997‡‡	110⅞	-.1	1,280	Ja22 Jy22	15.6	1302
Exch 10½pc 1997	105⅞	—	3,700	Fe21 Au21	15.7	1253
Treas 8¾pc 1997‡‡	101¼	-.1	5,650	Mr1 Se1	26.7	1341
Exch 15pc 1997	117¼	-.1	930	Ap27 Oc27	20.9	1288
9¾pc 1998	103⅞	-.2	3,550	Ja19 Jy19	13.6	1273
Treas 7¼pc 1998‡‡	96½	-.1	8,150	Mr30 Se30	24.8	-
Treas 6¾pc 1995-98‡‡	94⅞xd	-.1	1,200	My1 Nv1	26.9	1331
14pc 1998-1	116⅞xd	-.2	970	My22 Nv22	17.10	1306
Treas 15½pc '98‡‡	122⅞	-.2	935	Mr30 Se30	24.8	1308
Exch 12pc 1998	111⅞xd	-.2	3,909	My20 Nv20	17.10	1265
Treas 9½pc 1999‡‡	102⅞	-.2	1,900	Ja15 Jy15	8.6	1347
Five to Fifteen Years						
Exch 12¼pc 1999	112⅞	-.3	3,050	Mr26 Se26	22.8	1284
Treas 10½pc 1999	106⅞xd	-.1	1,262	My19 Nv19	17.10	1288
Treas 6pc 1999‡‡	89⅞	-.3	5,900	Fe10 Au10	4.7	-
Conversion 10¼pc 1999	106⅞xd	-.2	1,798	My22 Nv22	17.10	1242
Treas Flg Rate 1999	99⅞	—	2,500	[illegible]	3.8	-
9pc 2000	98⅞	—	2,500	Je7 De7	-	-
Conv 9pc 2000‡‡	101⅞	-.2	5,358	Mr3 Se3	28.7	1244
Treas 13pc 2000	118⅞	-.3	3,171	Ja14 Jy14	7.6	1298
10pc 2001	105⅞	-.3	4,406	Fe26 Au26	20.7	1280
7pc 2001‡‡	91⅞	-.2	4,350	My6 Nv6	30.9	-
9¾pc 2002	104⅞	-.2	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡	95⅞	-.1	7,650	Ja10 Oc10	4.5	-
10pc 2003	107⅞	-.1	2,506	Mr8 Se8	2.6	1281
Treas 11½pc 2001-4	111⅞	-.3	1,820	Mr19 Se19	15.6	1290
Funding 3½pc 1999-4	73⅛	0.5	549	Ja14 Jy14	7.6	1274
Conversion 9½pc 2004	104⅝	-.3	3,412	Ap25 Oc25	19.9	1246
Treas 6¾pc 2004‡‡	87⅜xd	-.2	6,500	My26 Nv26	20.10	4490
8½pc 2005	98⅞	-.3	2,000	Je7 De7	-	-
Conv 9½pc 2005	104⅞	-.3	4,842	Ap18 Oc18	12.9	1247
Treas 12½pc 2003-5	120⅞xd	-.2	2,200	My21 Nv21	17.10	1295
7¾pc 2006‡‡	93¼	-.2	3,900	Mr8 Se8	2.8	-
8pc 2002-6‡‡	94⅞	-.2	2,000	Ap5 Oc5	1.9	1334
Treas 11¾pc 2003-7	115¼	-.1	3,150	Ja22 Jy22	15.6	1293
Treas 8½pc 2007‡‡	99⅞	—	7,197	Ja16 Jy16	9.6	1339
13½pc 2004-8	127⅞	-.3	1,250	Mr26 Se26	22.8	1301
Treas 9pc 2008‡‡	102⅞	-.1	5,321	Ap13 Oc13	6.9	1343
Over Fifteen Years						
Treas 8pc 2009	94⅞	-.2	3,100	Mr25 Se25	19.8	1336
Treas 6¼pc 2010	80⅜xd	—	4,750	-	19.10	-
Conv 9pc Ln 2011‡‡	103⅞	—	5,273	Ja12 Jy12	18.6	1245
Treas 9pc 2012‡‡	103⅞	0.1	5,157	Fe6 Au6	30.6	1701
Treas 5½pc 2008-12‡‡	74	0.1	1,000	Mr10 Se10	4.8	1330
Treas 8pc 2013‡‡	95⅛	0.1	5,250	Mr27 Se27	22.8	-
7¾pc 2012-15‡‡	92⅞	0.5	800	Ja26 Jy26	20.6	1332
Treas 8¼pc 2017‡‡	102⅞	-.1	7,150	Fe25 Au25	19.7	1982
Exch 12pc 2013-17	130⅜	—	1,000	Je12 De12	6.5	1360
Undated						
Consols 4pc	46⅛	0.3	358	Fe1 Au1	27.6	1239
War Loan 3½pc‡‡	41⅞xd	0.1	1,909	Je1 De1	25.10	1352
Conv 3½pc '61 Aft.	57⅝	-.8	119	Ap1 Oc1	25.8	1242
Treas 3pc '66 Aft	34⅝	—	56	Ap5 Oc5	1.9	1324
Consols 2½pc	29⅞	-.8	275	5JaApJyOc	1.9	1298
Treas. 2½pc	28⅞	-.8	475	Ap1 Oc1	25.8	1315

Index-Linked (b)	Price £	Wk% +/-	Amnt £m	Interest due	Last xd	City line
2pc '96 (67.9)	192¾	-.1	1,200	Mr16 Se16	10.6	1313
4⅝pc '98‡‡ (135.6)	107⅞	-.4	800	Ap27 Oc27	20.9	-
2½pc '01 (78.3)	165⅞	-.3	1,500	Mr24 Se24	18.8	1318
2½pc '03 (78.8)	161⅝xd	-.4	1,300	My20 Nv20	17.10	1317
4⅜pc '04‡‡ (135.6)	108	-.7	1,000	Ap21 Oc21	14.8	-
2pc '06 (69.5)	167⅞	-.5	1,850	Ja19 Jy19	13.6	1314
2½pc '09 (78.8)	152xd	-.4	1,650	My20 Nv20	17.10	1316
2½pc '11 (74.6)	157⅝	-.4	2,100	Fe23 Au23	18.7	1319
2½pc '13 (89.2)	129⅞	-.5	2,300	Fe16 Au16	11.7	1320
2½pc '16 (81.6)	137⅞	-.4	2,700	Ja26 Jy26	20.6	1321
2½pc '20 (83.0)	131⅞	-.4	2,750	Ap16 Oc16	9.9	1322
2½pc '24‡‡ (97.7)	108⅝	-.4	2,100	Ja17 Jy17	10.6	1323
4⅛pc '30‡‡ (135.1)	108⅞	-.4	1,300	Ja16 Jy22	15.6	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1994: 141.3 and for August 1994: 144.7.

Other Fixed Interest

	Price £	Wk% +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009	110⅛	-.7	100	Mr24 Se24	3.93	-
B'ham 11½pc 2012	115	-3.0	45	My15 Nv15	4.93	1837
Ireland Cap 8½pc '10	96⅛	-.3	303	Ap1 Oc1	-	1485
9pc Cap 1996	100¼	-.2	726	Ja30 Jy30	-	-
13pc '97-2	108¼	0.5	315	Ap1 Oc1	8.93	1428
Hydro Quebec 15pc 2011	141⅞	-.4	40	My31 Nv30	10.93	-
Leeds 13½pc 2006	123	-2.8	40	Ap1 Se6	3.93	3146
Liverpool 3½pc Irred	36½	-1.4	5	1JaApJuOc	6.93	-
LCC 3pc '20 Aft	32	-1.5	26	1JaApJuOc	8.93	-
Manchester 11½pc 2007	111⅞	-2.4	5	Ap25 Oc25	3.93	3275
Met. Wtr. 3pc 'B'	67½	-.7	25	Mr1 Se1	8.93	3381
N'wide Anglia 3⅞pc 2021	131⅞	-.6	60	Ja30 Jy30	1.93	3465
4⅛pc IL 2024	125	-1.8	50	-	7.93	-
Utd Mex States 16½pc 2008	135½	-2.2	50	Mr1 Se1	8.93	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	1994 High	1994 Low	Since compl. High	Since compl. Low
FT-SE 100	3053.8	3029.6	2999.9	3000.6	3029.1	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3501.8	3480.1	3457.2	3474.6	3500.2	4152.8	3353.4	4152.8	1379.4
FT-SE Mid 250 ex I Ts	3498.5	3478.1	3456.1	3474.3	3498.5	4180.7	3362.4	4180.7	1378.3
FT-SE-A 350	1544.3	1521.2	1509.4	1509.5	1523.0	1778.3	1451.3	1778.3	664.5
FT-SE SmallCap	1777.63	1774.16	1775.97	1786.20	1786.20	2084.96	1771.84	2084.96	1363.79
FT-SE SmallCap ex I Ts	1749.04	1747.44	1749.78	1758.34	1758.49	2059.72	1743.66	2059.72	1363.79
FT-SE-A All-Share	1529.82	1506.95	1496.60	1497.74	1510.76	1764.11	1445.85	1764.11	61.92
FT-SE Eurotrack 100	1326.61	1303.28	1300.71	1289.00	1312.22	1549.19	1286.48	1549.19	900.45
FT-SE Eurotrack 200	1395.91	1361.02	1358.10	1356.47	1372.56	1607.10	1335.98	1607.16	938.62
FT Ordinary	2345.1	2310.8	2286.5	2301.8	2325.2	2713.6	2255.5	2713.6	49.4
FT Govt Securities	91.21	90.58	90.06	90.40	90.94	107.04	89.54	127.40	49.18
FT Fixed Interest	107.31	106.84	107.06	107.46	107.94	133.87	106.50	133.87	50.53
FT Gold Mines	2189.85	2210.80	2253.86	2268.77	2282.37	2367.4	1762.02	2367.40	922.18
Predecessor Gold Mines	279.4	281.4	282.0	286.5	287.8	289.9	185.0	734.7	43.5

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 71) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	£21½	3.1	Q61%	ϕ	Sep May	9'93	–
ANZ A$		172	____	Q20c	0.7	Jan Jul	9.12	–
Abbey National	†N□	421	3.7	15.5	2.1	May Oct	15.8	5411
Allied Irish I£	‡†N□	290	2.5	Q63¼%	2.7	Oct May	15.8	1364
Anglo Irish I£	N□	58	____	Q17.9%	1.7	Jan Jul	6.6	1395
Asahi Y	□	696¼	-2.5	Q14%	ϕ	Jan Dec	12'92	3049
Banco Bil Viz Pta	□	£15⅝	-2.1	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£28⅞	____	Q36%	2.0	MyAuOcJa	1.8	–
Bk Ireland I£	‡□	284	3.3	Q13.7%	3.2	Jul Dec	16.6	1360
Bank Scotland	‡†N□	206xd	2.5	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		108¾xd	0.2	9¼%	–	May Nov	17.10	1492
9¾pc Pf		112xd	0.2	9¾%	–	May Nov	17.10	1685
Barclays	‡†N□	562	1.7	16.85	1.9	Oct May	15.8	1754
Dai Ichi Kan Y	□	£10⅜	-2.6	Q16%	1.2	Jun Dec	9'93	–
Deutsche DM	□	£301¾	0.5	Q33%	–	May	5'93	–
Espirito Santo	□	93½	-1.4	Q60c	5.2	Jun	6'93	5167
First Nat Fin	N□	66	4.6	1.5	–	Mar Aug	18.7	2571
6.3pc Cv Pf		71	____	6.3%	–	Jul Jan	6.6	2570
7pc Cv Pf		125½	-1.2	7.0	–	Jul Jan	6.6	1498
Fuji Bank Y	□	1341½	-1.5	Q17%	ϕ	Dec Jun	7'93	–
HSBC HK	†N□	724½xd	2.2	24.5	2.4	Nov Jun	5.9	2798
HSBC (75p Shs)	†N□	715xd	1.6	24.5	2.4	Nov Jun	5.9	2776
Lloyds	†N□	586	4.2	23.0	2.1	Oct May	8.8	3171
Mitsubishi Y	□	£15¼	-2.7	Q17%	ϕ	Jan Dec	12'92	–
Mitsu Tst & Bk Y	□	943	-1.4	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y	□	702½	-1.4	Q17%	5.5	Jan Dec	12'92	–
Nat Aust A$	†	480	0.8	Q55c	1.7	Jul Jan	21.6	–
NatWest	†N□	502	2.7	18.4	2.4	Oct May	8.8	3463
Ottomane FFr		£22	____	Q125%	ϕ	May	25.6	–
Ryl Bk Scotland	‡†N□	439	4.5	12.0	1.9	Feb Jul	18.5	3874

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£29¾	0.8	Q375c	1.9	Oct Apr	3'93	–
Barlow	Z	£4½	–.8	Q18c	–	Jul	20.6	–
Gold Flds Prop R		119xa	—	Q52c	◆	Feb Sep	31.1	–
NK Props		95	—	Q87.1c	–	Feb Sep	10'93	–
SASOL	♥	587	—	Q76c	–	Oct	9'93	3919
SA Brews		£14⅓	—	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	728	16.8	Q85c	2.9	Jul Feb	6.6	–
Tongaat-Hulett	♣	685	16.0	Q79.8c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Templeton Emrg. Mkts. Wrts. 2004 (Inv Trusts). Deletions: Bimec Inds (Engineering), Emperor Mines (Extr Inds) and Elswick (Prntg, Paper & Pckg).

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close October 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	12¾	AAR x	0.48	3.9	20	117	12½	d12¼	12⅞	
17½	12⅝	A L Labs A x	0.18	1.0	41	117	u17⅞	17½	17¾	+⅛
79⅞	57⅝	AMP	1.68	2.2	27	1585	78¾	76	78¾	+⅝
72¾	48⅛	AMR			98	8441	65¾	52⅞	55¼	+2½
5	3⅜	ARX			12	88	3¾	3⅝	3¾	
56⅛	38⅝	ASA	2.00	4.2	31	964	48¾	47¾	47¾	-1⅛
32	25⅜	AbbotL	0.76	2.4	18	8212	31⅝	30⅞	31½	+⅝
15¼	11⅜	Abitibi Pr	0.50	3.7	12	182	13⅝	13⅛	13⅜	+¼
33⅝	17¾	ABM Ind	0.52	2.5		98	20⅞	20½	20¾	
18	11⅛	Acptncelo			30	350	16⅞	16⅜	16½	-⅛
31	22¼	ACE Ltd	0.44	1.9	28	4417	23½	22⅜	23	+½
12½	9¼	ACM Gvt In	1.09	11.6		169	9½	9⅜	9½	+⅛
10⅛	7	ACM GvOpp	0.80	10.8		63	7⅜	7¼	7⅜	+⅛
10⅝	7	ACM Gvt Sp	0.98	13.6		102	7¼	7⅛	7⅛	
12	8¼	ACM Gvt Se	1.09	13.1		424	8⅜	d8¼	8⅜	+⅛
11¾	7⅞	ACM Man	1.08	13.3		246	8¼	8⅛	8⅛	
9¼	8	ACM Managd	0.72	8.9		20	8⅛	8⅛	8⅛	
15½	8¾	AcmeCly	0.44	3.3	16	21	13⅜	13⅜	13⅜	
13⅝	8½	Acme Elect			8	493	11½	9½	10⅜	-⅞
28¾	23	Acordia	0.60	2.1	14	6	28¼	28⅛	28¼	+⅛
13¾	5¾	Actava	0.36	4.0	2	179	9⅛	9	9	-⅛
17¼	11¼	Acuson			138	3047	u18	17	18	+1
18⅜	16½	Adams Expr	0.48	2.8	0	162	17⅛	17	17⅛	
64	46½	Ad Micro	3.00	5.3		138	56⅝	54⅝	56⅝	+2⅞
31¾	16¾	AdvMic	3.00	11.4	11	18530	26¾	25¾	26¼	+½
6⅞	5	Advest Grp	0.16	3.0	8	70	5¼	5⅛	5¼	
20	15	Advo Inc	0.10	0.6	119	158	18⅛	17⅞	17⅞	-⅛
64	49⅜	Aegon ADR	1.47	2.4	13	15	63⅛	62⅛	62⅛	-1⅝
65¾	44⅝	AetnaL x	2.76	5.9	7	18719	46½	d44	46½	+1¼

Continued on next page

NYSE COMPOSITE PRICES

4 pm close October 28

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
Continued from previous page										
45	37¼	StPaul	1.50	3.4	4	1705	43⅞	42⅞	43½	+⅝
9⅜	5	Salant Crp			6	612	5¼	d4¾	5	-⅛
49⅞	31⅜	Sallie Mae	1.40	4.4	5	3520	32⅜	d31¼	31¾	+⅜
13⅞	11⅞	Salomon Br x	0.36	2.9		587	12⅜	12¼	12⅜	
52¾	37	Salomon	0.64	1.5	5	5262	42	39⅝	41⅞	+2½
25	17½	SnDgGE	1.52	7.7	10	918	19⅞	19⅝	19¾	-⅛
10	7½	SantaFeERs	0.16	1.8	10	353	9⅛	8⅞	9	
17⅞	13½	SFeGd				8785	15⅛	14½	14½	-⅜
26¼	12⅛	SanFeP	0.10	0.6	8	10639	15½	15⅛	15½	+¼
26	19⅝	SaraLee	0.68	2.7	17	11899	25⅛	24½	25	-⅛
50⅛	42	Scana Corp	2.82	6.6	11	246	43	42⅛	43	+⅝
20½	12½	Scecorp	1.00	7.2	9	9674	14	13⅝	13⅞	+⅛
43⅞	31¾	SchneidP			33	1777	43¾	43¼	43¾	+⅛
72½	54½	SchrPl	2.04	2.9	16	4137	71¼	70	70⅞	+¼
63	50¾	Schlmb	1.20	2.0	24	10308	58¾	57⅞	58¾	+2¼
33⅞	23¼	Schwab(C) x	0.28	0.8	17	5889	u37	33⅝	36¼	+3
10¼	6⅛	Schwitzer			27	40	9½	9⅜	9½	
22⅝	12¼	SciAtl	0.08	0.3	44	3438	22¼	21⅞	22	
16⅞	13	Scotsman	0.10	0.6	15	241	16	15⅞	16	+⅛
68⅞	37¼	ScottP	0.80	1.2	21	5083	u67½	65⅛	67¼	+1⅞
28⅝	18⅝	ScudderNAsF	0.21	0.9		38	24⅜	24¼	24¼	-⅛
12⅞	9⅛	ScudderNEuF	0.16	1.6		169	9¾	9⅝	9¾	
18¼	13½	SeaCnB	0.70	4.5	7	30	15½	15⅜	15½	
16½	14⅝	SeaC1.4625	1.46	9.6		8	15¼	15¼	15¼	+¼
32⅝	26¼	Seagram	0.60	2.0	39	4262	30¾	30¼	30¾	+½

Price data supplied by Telekurs

... dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Penini	0.80	18	160	11⅛	10½	10½	-⅛
PethPet8	1.84	9	2	17⅝	17⅝	17⅝	
Phil LD	0.24	15	2402	60⅜	59⅜	59½	
Pittway A	0.50	19	99	37⅜	36½	36½	-½
Ply Gem	0.12	28	1158	21⅝	20½	21⅝	+⅜
PMC	0.84	15	120	14	13⅝	13⅞	+⅛
PresidioA	0.10	0	52	1	1⅛	1	+⅛
RegalBrad		36	z100	u34	34	34	+½
RB&W Cp		4	587	7¾	7⅝	7¾	
SJW Corp x	2.10	9	2	34¼	34¼	34¼	+¼
StdnUnion		15	540	16⅞	16⅝	16⅞	
SWLife			744	4¾	4½	4⅝	+¼
Tab Prods	0.20	47	153	8½	8⅜	8½	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Hasbro	0.28	14	2568	33¼	32¾	33	+1
Health Ch		4	10	2¾	d2¾	2¾	-⅛
Olsten	0.24	450	1583	36⅛	35⅝	36	-⅛
Pegasus G	0.10	9	1422	15	14½	14½	-½
Xytronix		4	177	4⅛	4	4⅛	-¼

NASDAQ NATIONAL MARKET

4 pm close October 28

FT GUIDE TO THE WEEK

31 MONDAY

Coal Authority takes over

The newly formed Coal Authority takes over ownership of the UK's coal reserves and licensing functions from British Coal, which is being privatised. The Mansfield-based authority's chairman is Sir David White, chairman of Mansfield Brewery, and its chief executive is Neville Washington, a former army colonel.

Sino-South Korean relations: Chinese premier Li Peng begins a five-day visit to South Korea, where he will discuss Beijing's role in promoting improved relations between North and South Korea. China is North Korea's closest ally, but has also become a leading trading partner with South Korea. Li's visit follows two trips by South Korean president Kim Young-sam to China.

EU expansion: European Union foreign ministers meet their counterparts from Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania in Luxembourg. The leaders will discuss setting up a dialogue to help strengthen their relationship, ahead of eventual expansion of the EU. They will also discuss the situation in Bosnia.

Women on top: The Women of the Year lunch takes place at London's Savoy Hotel. About 500 women who have achieved outstanding success in their chosen fields will attend. Special guests are the author of *Wild Swans*, Jung Chang, and Diane Abbot MP.

Greens vs Suharto: Environmental groups take Indonesia's president Suharto to court today, alleging that he diverted $185m (£117m) from a reforestation project fund to help develop the state-run aircraft industry.

Ship safety: Norwegian proposals for ro-ro ship safety will be put before a meeting of Nordic ship safety directors following the sinking of the Estonia last month, in which 900 people died.

Norway is responsible for looking at the stability of existing ships, while Sweden, Finland and Denmark are examining ferry evacuation, the design and operation of bow doors and lifesaving equipment. Norway has said it may take unilateral action over standards for Norwegian ro-ro ships, and foreign ro-ro vessels trading to that country, if there is no international agreement.

Taxing time: Today is the deadline for filing annual tax returns in the UK. All taxpayers whose pay is not fully covered by PAYE, who pay tax at the higher rate or who have received a tax form from the Inland Revenue risk being charged interest on any outstanding amounts.

1 TUESDAY

New rules on unit trusts

The UK's £100bn unit trust industry makes further progress towards deregulation with the coming into force of new rules liberalising charges and the range of markets in which the trusts can invest. A further change means newspapers no longer have to publish the "cancellation" price – the lowest price at which units can be bought back by the unit trust company.

UK economy: The underlying rate of inflation may last month have reached its lowest level since records began in 1967, but other indicators such as the producer prices index, the third-quarter GDP report and the latest CBI survey, suggest inflationary pressures lie ahead. November's quarterly bulletin and inflation report from the Bank of England, out today, will give a view on future prospects.

Casablanca summit: On its last day, delegates at the Middle East/North Africa Economic Summit in Casablanca are expected to approve a declaration establishing a regional financial organisation and laying the foundations for greater co-ordination between development assistance and investment guarantee organisations. The summit may see the setting up of a Middle East/North Africa economic community.

The gathering aims to provide economic foundations for a peaceful Middle East after Israel's peace agreements with the Palestine Liberation Organisation and Jordan.

Havel in Hungary: Czech president Vaclav Havel visits Budapest at the invitation of his Hungarian counterpart, Arpad Goncz. Although Havel has visited the country several times and is on good terms with Goncz, it is his first official visit as leader.

Dairy industry: The UK's Milk Marketing Board is replaced by the Milk Marque, a voluntary farmers' co-operative. The UK's 30,000 dairy farmers will be able to sell their milk to whoever they like. Previously the MMB was obliged to buy all of it. Industry analysts claim milk prices are set to rise as a result.

Duty call: Air passenger duty, set out in the UK Budget last November, comes into effect. It will add £5 to the cost of domestic and European flights and £10 to those elsewhere.

Dennis Potter: A memorial service will be held for British novelist and playwright Dennis Potter at 11am in St James's Church, Piccadilly, London. Potter, the creator of television dramas such as *The Singing Detective* and *Lipstick On Your Collar*, died in June.

Japanese heritage: A six-day world cultural heritage conference opens in Nara.

FT Surveys: Greater Atlanta and Australia.

Holidays: All Saints Day (some European institutions closed).

2 WEDNESDAY

Iliescu seeks UK support

Romanian president Ion Iliescu starts a three-day visit to the UK, during which he will meet prime minister John Major, trade and industry secretary Michael Heseltine and foreign secretary Douglas Hurd. He hopes to boost economic ties between the two countries. Major is also expected to raise the case of Adrian and Bernadette Mooney, jailed for 28 months each earlier this month for attempting to smuggle a baby out of Romania.

Inflationary pressure: Chancellor Kenneth Clarke and the governor of the Bank of England, Eddie George, meet to discuss monetary policy. Markets are ambivalent about the likely timing of future interest rate rises. When the chancellor raised rates in September, he did not announce the decision until the Monday after that month's meeting.

Swedish finances: Göran Persson, finance minister of the newly elected Social Democrat government, presents tough plans to cut the country's budget deficit, which is running at 13 per cent of GDP. Citing the need to stabilise Sweden's debt by 1998, he is expected to go beyond the SKr61bn (£5.3bn) of planned savings and tax increases his party outlined before its September election victory.

Nuclear trafficking:

A meeting at the International Atomic Energy Agency in Vienna will discuss strategies to combat illegal trafficking of nuclear materials from the former Soviet Union. After the discovery of several cases of plutonium smuggling to Germany earlier this year, the agency has made the issue a priority.

OECD in Bucharest: The Organisation for Economic Co-operation and Development advisory group on investment holds its fourth plenary meeting in Bucharest.

Turkish prime minister Tansu Çiller visits Israel at the start of a Middle East trip that will include Gaza and Egypt, with the aim of furthering bilateral ties. She is the first prime minister of Moslem Turkey to visit Israel.

William Holman Hunt's "The Shadow of Death", one of the best-known Victorian images, shows Christ in his father's workshop stretching at the end of his day's labour to give thanks to God. The setting sun casts a silhouette, which the Virgin Mary sees as a premonition of the Crucifixion. Sotheby's in London offers the quarter-size replica of the 7ft-high original, which Hunt made for use by engravers. It is expected to fetch £900,000.

Trick or treat?

3 THURSDAY

Swan song on the Tyne

The Type 23 frigate HMS Richmond, the last of 2,700 vessels built by 134-year-old Swan Hunter, leaves the Tyne for Portsmouth, on its way to be handed over to the Royal Navy next week. Richmond's departure from Swan's Wallsend yard signals the company's closure and the probable end of shipbuilding on the river. Swan has been in receivership since May 1993.

Embattled Russian prime minister Victor Chernomyrdin arrives in Warsaw for a two-day visit to sign an agreement that will cancel mutual debts and open the way for a 600km natural gas pipeline across Poland to Germany. The pipeline is part of a longer 3,000km project designed to bring 63bn cu m a year from the Jamal peninsula in Russia to western Europe.

Cinema scope: The 17-day London Film Festival opens. More than 200 films from around the world will be shown, and the event includes premiers of Kenneth Branagh's *Frankenstein* starring Robert de Niro and Dennis Potter's last film, *Midnight Movie*.

Plane facts: What is thought to be the world's first auction of commercial aircraft takes place in Las Vegas. More than 40 civilian aircraft go under the hammer at Bally's Casino.

FT Surveys: Turkish Finance and Industry, and UK Consumer Credit and Asset Finance.

Holidays: Japan (Culture Day).

4 FRIDAY

South African delegation

South African foreign minister Alfred Nzo visits France. He will attend the Franco-African summit in Biarritz as part of a delegation led by deputy president Thabo Mbeki.

Light fantastic: Deepavali, or Diwali, the Hindu festival of light, is celebrated by the Hindu community worldwide. The highlight of the event is the lighting of thousands of lamps in homes to welcome the goddesses of wealth and learning.

India has more reason to celebrate. The World Health Organisation gave it a clean bill of health last week after the recent outbreak of plague. Overseas visitors are expected to arrive in their thousands after more than 12 airlines which banned flights to the country during the scare resume operations.

Non-farm payrolls: Bond markets will be trading nervously ahead of the US non-farm payrolls for October, out today. The pace of payrolls' growth has slowed to a monthly average of 260,000 new jobs in the third quarter, compared with 340,000 in the second.

Canada's House of Commons breaks until November 14.

Saleroom: Christie's in London is holding a sale of Victorian works, including Sir Edwin Landseer's "The Deer Pass", which is expected to realise up to £300,000, and William Holman Hunt's "Bride of Bethlehem", expected to fetch up to £400,000.

5-6 WEEKEND

Canada team in China

Jean Chretien, Canada's prime minister, leads a delegation of nearly 400 business leaders, politicians and officials to Beijing on Sunday. Canadian exports to China, totalling C$1.7bn (£770m) in 1993, have stagnated in recent years. But imports have risen rapidly, reaching C$3.1bn last year.

Old masters: More than 450 cars will take part in the 98th London to Brighton Veteran Car Rally on Saturday. Only about 300 are expected to finish: with a top speed of 8mph, it is feared some vehicles will be unable to beat the 4pm deadline.

Business leaders meet: The Confederation of British Industry annual conference begins on Sunday in Birmingham.

Motor racing: The Japanese Grand Prix takes place on Sunday at Suzuka.

Visiting Down Under: Qiao Shi, chairman of China's National People's Congress, visits Sydney on Sunday.

Ask the people: Albania holds a referendum on a new constitution on Sunday.

Asian politics: Tajikstan holds presidential elections and a referendum on a new constitution.

Compiled by Carol Major and Shelley Wood.
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ECONOMIC DIARY

Other economic news

Monday: After the pick up in the UK money supply last month, the provisional M0 figures for October are expected to show an expansion of 0.4 per cent rise for the month, with a 7.2 per cent annual rise.

With last week's Confederation of British Industry manufacturing survey showing strong exports and a rise in price expectations, the markets will also be watching the Chartered Institute of Purchasing Managers' October index for developments with a particular focus on new orders, which fell for the third consecutive month in September.

Tuesday: In the US, the National Association of Purchasing Managers' index is expected to be 58.7 per cent in October, slightly up from September's index of 58.2 per cent. Such a figure usually indicates strong economic growth.

Wednesday: Given the strong performance of the dollar in October, the UK's official reserves are expected to increase by £15m in October.

Thursday: Morgan Grenfell says the National Association of Home Builders' survey suggests weaker conditions for sales in September. It expects new home sales to drop by 4 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	SEP housing starts**	1.1%	1.8%
Oct 31	Japan	Sep construction starts**	-	-0.9%
	UK	Oct M0*	0.4%	1.1%
	UK	Oct M0*	7.2%	7.2%
	US	Sep personal income		0.4%
	Japan	Sep construction orders**	-	9.2%
	US	Sep personal consumer expenditure-		0.9%
	US	Oct Chicago NAPM	-	63.5%
	US	Oct agriculture prices	-	-2.2%
	Canada	Aug real GDP - factor cost*	0.4%	-0.1%
Tues	US	Oct NAPM	-	58.2%
Nov 1	US	Sep construction spending	-	-0.2%
	Japan	Oct auto sales**	-	6.4%
	Japan	Oct foreign exchange reserves*	-	1.5%
	US	Johnson Redbook - W/e 29/	-	-0.1%
Wed	France	Sep unemployment rate	12.6%	12.6%
Nov 2	UK	Sep official reserves ($m)	15m	16m
	US	Sep leading indicators	-	0.6%
	US	Sep factory orders	-	4.4%
	France	Sep jobseekers	0.2%	3.3m
	US	Sep factory inventories	-	0.1%
	NZ	Q1 current account (NZ$m)	-	-260
Thurs	UK	Sep final money data	-	n/a
Nov 3	US	Sep new home sales	-	703K
	US	Oct domestic auto sales	-	7.2m
	US	Oct domestic light truck sales	-	5.6m
	Canada	Oct foreign reserves - change C$	200m	940m
	Canada	Oct help wanted index	98	97
	Canada	Sep building permits*	1%	2%
	Australia	Sep retail trade	-1.9%	2.1%
Fri	Japan	Sep Bank of Japan corp.serv.price*	-	-0.2%
Nov 4	Japan	Sep Bk of Japan corp.serv.price**	-	-0.6%
	US	Oct non-farm payrolls	-	239k
	US	Oct manufacturing payrolls	-	-3k
	US	Oct hourly earnings	-	0.3k
	US	Oct average work week	-	34.6%
	US	Oct unemployment rate	-	5.9%
	US	Sep home completions	-	1.32m
	UK	Sep housing starts	-	2.0%
	Canada	Oct employment rate	0.3%	0.5%
	Canada	Oct unemployment rate	10.1%	10.1%
During the week...				
	Japan	Oct trade balance, first 20 days	-	$6bn
	Germany	Sep industrial production	1.8%	-3.0%
	Germany	Sep manufacturing output	2.0%	-3.5%
	Germany	Sep manufacturing orders	1.8%	-2.2%
	Italy	Aug trade balance payments	-	2.9t
	Belgium	Oct unemployment rate	-	14.6%

*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

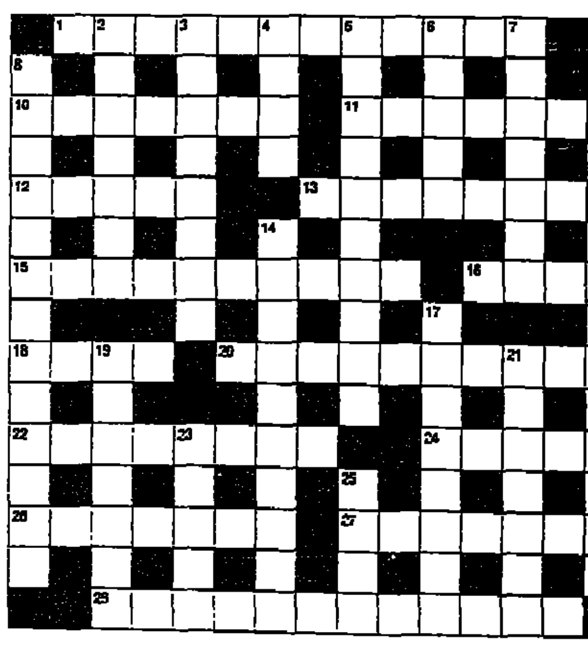
No.8,598 Set by GRIFFIN

ACROSS

1 Australian state starts paying Scottish smoker for fruit (8,4)
10 The best work? It's sent back to mother! (7)
11 Grass to spare, free (7)
12 For a tenner listened to a singer (5)
13 Things found in ears of swans, navy officer admitted (8)
15 Use raw scrambled egg as fruit (10)
16 Man returns to cut first record (4)
18 In court like actors (4)
20 Dressing after escapade cause trouble (5,5)
22 Opening article in recent broadcast (8)
24 Expect plant disease after the end of August (5)
26 Dawn wants a heat and light unit by spring (7)
27 Upstart found normal meeting-place pointless (7)
28 Pick exceptionally attractive person to get biscuit (5,7)

DOWN

2 Is having name and number in English excessive? (7)
3 West Country banker died taking in wood (8)
4 It's odd, parking behind (4)
5 Name remote settlement's wind-gauge (10)
6 Nothing stands up in it, which is a bloomer (5)
7 Italian physicist, in love with crowd, turned up (7)
8 First cooked geese to teach members about dairy produce (7,6)
9 Mount cuts then replaces conker (5,8)
14 Cry out, embracing a boy that's dressing! (5,5)
17 Secret key given to drunkard by Central American (8)
19 Day on which Cain runs like the devil (7)
21 You say Luke upset the French playing this? (7)
23 Capone and Eisenhower are similar (5)
25 Rebukes for lifting box (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 10, marked Monday Crossword 8,598 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 14.

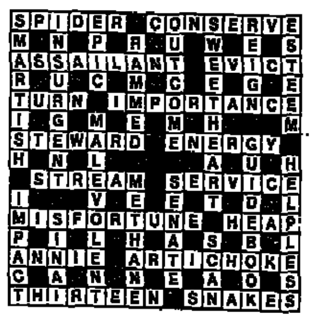
Name..........

Address..........

Winners 8,586

Alison C. Hughes, Mitcham, Surrey
Andy Polakowski, Mold, Clwyd
Robert Fabri, Malta
B.S. Dutton, Chelmsford
Michael Scott, South Carolina
Peter Proudlove, London, SE12

Solution 8,586



JOTTER PAD